

Mahathir calls on king in bid to save party

BY ROGER MATTHEWS AND WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, Malaysia's embattled Prime Minister, flew to the south Malaysian city of Johore Baru, yesterday for urgent consultations with Sultan Mahmood Iskandar, the king, over the crisis afflicting the country's ruling Malay party.



Mahathir, Prime Minister without a party

The United Malays National Organisation, Umno, was declared an unlawful society by the High Court last week, triggering off an unprecedented move by two former Prime Ministers, to capture the leadership from Dr Mahathir.

The role of Sultan Mahmood is regarded as critical to Dr Mahathir as he is now Prime Minister without a party. By tradition, the Malaysian monarch commissions the leader of the largest party in parliament to head the Government. This is the second time in a week that Dr Mahathir had sought an audience with the king over the party crisis.

Mahathir and his team would join the Tunku in order to reformulate Umno.

He warned the longer they delay it, the more difficult it would be to re-establish the party which has dominated Malaysian political life for more than 40 years. The crisis within Umno is being watched increasing anxiety by the country's two other main communities, the Chinese and the Indians, they fear it could degenerate into a more bruising power struggle in a community which traditionally has resolved its internal disputes through dialogue and compromise, away from the glare of publicity. The minority communities fear that they could become the main victims if the two competing Umno factions seek to outbid each other in their claims the protector of Malay interests. At the same time, Malay factional fighting could undermine local and foreign investors confidence at a time when the economy is starting to benefit from higher commodity prices.

Indian economy awaits the philosophers' stone

Mr Gandhi's reformist zeal needs to be revived, says John Elliott

Mr Mikhail Gorbachev's Perestroika and Mrs Margaret Thatcher's Institute of Economic Affairs, are admired from afar by economists and other public figures in India. They long for the well-meaning economic and industrial liberalisation policies of Mr Rajiv Gandhi, the Prime Minister, to be given the strength and resilience of a philosophical base. India's economy is now emerging from its worst monsoon and drought for over 25 years in 'better shape than many people thought possible a few months ago. Inflation and the balance of payments deficit have been kept relatively in check. But there are serious worries about public spending and foreign debt, which will be reflected in the annual Budget due on February 29. A further disastrous monsoon could lead to serious economic difficulties.

The economy urgently needs a heavy dose of efficiency measures to help curb rocketing public spending. It also needs further liberalisation of domestic economic and industrial controls, and the maintenance of existing import-export liberalisation. A new three-year trade policy is due in early April. This would keep the momentum of private sector industrial change and competition going, even if Mr Gandhi does not have the political strength to give industry what it needs most - the freedom to shut down loss-makers and shed labour.

The Planning Commission, in its mid-term review of the seventh 1985-90 five year plan, marks out the top agricultural priority as boosting food grains production to 175m tonnes by 1990 from the 1987-88 150m target. The drought is expected to have cut production back to about 135m, forcing some limited imports and breaking India's proud record of self-sufficiency.

The Government has spent Rs15-20bn on various drought relief works, but this has been partly offset by extra foreign aid, spending economies and extra tax, import and other charges, including a recent petrol price rise. The cost of India's peace-keeping force of over 40,000 troops in Sri Lanka is said by some officials to be adding Rs1.3bn in a full year to the 1987-88 defence budget of Rs125bn.

Government spending is also suffering from a major shortfall in domestic savings and this together with the costs of subsidies and interest payments is endangering the financing for the current five year plan. There is little doubt however that the government will later this month publish a budgetary deficit figure for 1987-88 no larger than the Rs56.88bn promised as the absolute maximum a year ago by Mr Gandhi. But few economic and diplomatic observers believe it will be a genuine figure.

payments problem arising from big increases in oil imports - 3m tonnes extra this year above a planned 21m - to meet demand which is now rising at 7 per cent a year. India's hopes of becoming self-sufficient in oil have vanished.

The drop in agricultural production will now probably pull gross domestic product growth down to about 1-1.5 per cent compared with an average of 4.5 per cent in the previous two years. Industrial output will grow by approaching 8 per cent which is regarded as good, except that it conceals very uneven performance with declines in capital goods and other industries.

India's economy urgently needs the growth generated a couple of years ago to be sustained, but the industrial momentum will be lost if Mr Gandhi does not revive his reformist zeal. He showed his own uncertainty at a recent meeting of the Planning Commission when he asked plaintively whether someone could find a Hindi word to replace "liberalisation".

South Korea doubles its current account surplus to \$9.8bn

BY MAGGIE FORD IN SEOUL

SOUTH KOREA recorded a current account surplus of \$9.8bn last year, more than doubling the 1986 figure which was the first surplus for ten years. Exports rose 36 per cent to \$46bn.

Despite a wave of labour strikes last summer followed by substantial pay rises, almost all export industries reported big improvement, according to central bank figures. Motor car exports were up 106 per cent, machinery up 67 per cent, electronics 54 per cent and textiles 37 per cent. Earnings from ship-building declined by 37 per cent.

The trade surplus of \$7.6bn compared with \$4.2bn in 1986. Imports rose 28 per cent to \$38bn. South Korea's surplus with the US, its main export market grew from \$7.2bn in 1986 to \$9.6bn last year.

By contrast, the chronic trade deficit with Japan was reduced to \$5.2bn from \$5.4bn in 1986, following South Korean efforts to diversify imports to the US and other trading partners. Seoul's surplus with EC countries rose \$890m last year to \$1.8bn. Increased tourism receipts and

remittances from overseas Koreans accounted for a turnaround in invisible earnings, from a deficit of \$28m in 1986 to a surplus of \$947m.

Exports in the month of December alone showed a 60 per cent increase on the same month a year ago, reaching \$5.2bn.

US to urge West Bank and Gaza elections

BY ANDREW WHITLEY IN JERUSALEM

MR RICHARD MURPHY, the US special envoy, held talks in Jerusalem last night with Prime Minister Yitzhak Shamir soon after his arrival from Egypt. Mr Murphy is touring Middle East countries drumming up support for the Reagan Administration's latest peace plan.

Mr Shamir is expected to come under strong US pressure to agree to early elections in the Israeli-occupied West Bank and Gaza Strip, as a precursor to an interim solution for the region. While the Prime Minister and Mr Yitzhak Rabin, the Defence Minister, are known to be opposed to such elections - probably for local municipalities - Mr Shimon Peres, the Foreign Minister, has come out in favour.

As Mr Murphy arrived, on what is expected to be the last leg of a tour which has already taken him to Syria, Jordan, Saudi Arabia and Egypt, another Palestinian youth died yesterday under unexplained circumstances.

According to the pro-PLO Palestine Press Service, a 16-year-old boy named as Nabil Latief Abu Khalil was shot in the chest near a street barricade in the village of Attif, near Tul-karam in the West Bank. Troops driving past on their way to put down a demonstration elsewhere were blamed.

World Bank to seek to unblock Philippine aid

BY RICHARD GOURLAY IN MANILA

A WORLD Bank team will visit the Philippines next week to help unblock more than \$600m of aid committed to President Corason Aquino in a flurry of international support over the past two years but not used because of bureaucratic delays. The bottlenecks have hampered economic growth and slowed the inflow of foreign exchange needed to pay for imports sucked in as the economy has picked up.

The World Bank last year expressed the concern of many aid donors about slow disbursement and lack of projects, Mr Vicente Jayme, the Philippine Finance Secretary said yesterday.

In 1986, Mrs Aquino's first year in office, governments and multilateral lenders such as the World Bank committed \$330m more in loans than Manila used. Last year, the shortfall fell to \$191m but some donors held back because previous commitments had been untapped.

Last year gross national product grew by 5 per cent, up from a barely positive rate in 1986.

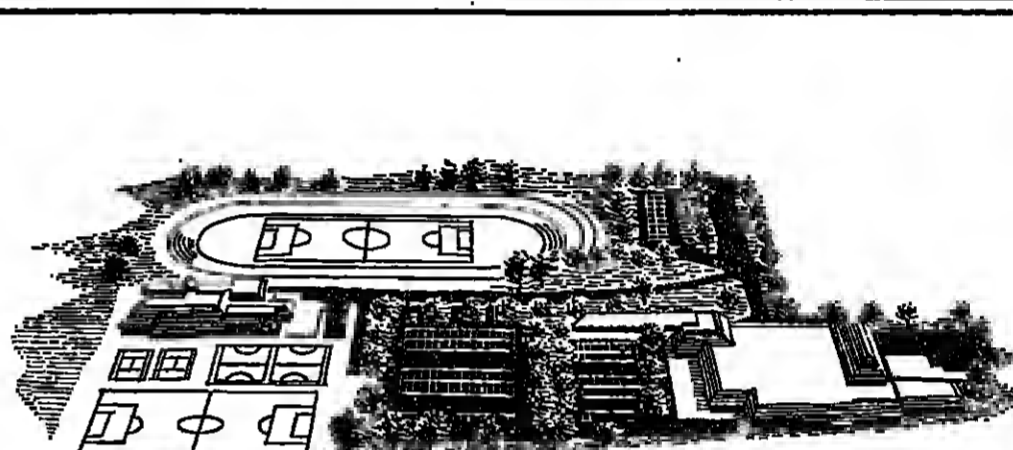
Japan increases Sri Lanka aid

JAPAN yesterday signed an agreement increasing its aid for the giant Mahaveli River multi-purpose development project by a further \$2.85bn (£1.3bn) Mrs Yvonne de Silva reports from Colombo. In 1981, Japan gave Sri Lanka \$7.7bn for the same project.

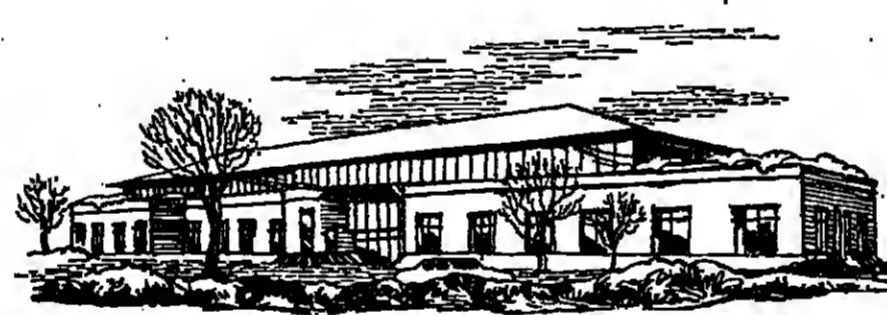
The downstream development of System C of the billion-dollar irrigation-cum-power scheme, which is also supported by the World Bank, Britain, Canada, the US and Sweden. After the ceremony, the Japanese ambassador said the project had achieved impressive social and economic advances by increasing rice production, diversification of crops and improving infrastructure. Japanese experts have introduced new varieties of rice, developed harvest management methods, and water-management systems. They also run a pilot demonstration farm. The new aid pledge consolidates Japan's position as the island's largest donor (replacing the US two years ago).



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AMERICAN NEWS

Iowa party votes reshape the electoral landscape

BY STEWART FLEMING IN DES MOINES

"What happened, Rich?" a hollering Mr. Richard Bond, political director for Vice President George Bush, was asked by reporters looking for an explanation of the magnitude of Mr Bush's defeat in the Iowa caucuses on Monday night.



"What happened was we were whipped," he replied, bravely refusing to mince his words even though, as the man who masterminded Mr Bush's victory in the state eight years ago, the loss could not have been more painful or poignant.

PAT ROBERTSON

A force to be reckoned with

BY STEWART FLEMING

IN HIS first campaign for public office Mr Pat Robertson, a 55-year-old former Baptist minister-turned-politician, confirmed on Monday night what some of his Republican rivals have been saying privately - he is a force to be reckoned with in the race for the Republican presidential nomination.

In a series of advertisements designed to ally the concerns of more moderate voters, he appealed to viewers initially not for their votes but for their attention. Don't be frightened of what you have read about me, he seemed to be saying, just listen to what I am saying.

Bush lives on to fight the next round next Tuesday in New Hampshire. That is home territory for a man whose family roots are in New England and who keeps a summer mansion in Maine. The victories of the two Midwesterners in Iowa, Mr Dole and Congressman Richard Gephardt from Missouri, suggest that regional loyalties do count.

RICHARD GEPHARDT

An effective change of image

BY LIONEL BARBER

CONGRESSMAN Richard Gephardt of Missouri is a consummate Washington insider who based his slender victory in the Iowa caucuses on a narrow, populist campaign appealing to farmers, the elderly and organised labour.



An exultant Pat Robertson prepares last night to address his supporters after pushing into third place in the Iowa caucuses.

reasonable drawing power and whose natural stamping ground is also the South. Senator Paul Simon of Illinois, in spite of finishing second, must worry that there will not be room for two Midwesterners after the final cut is made in New Hampshire. Unless he can push Mr Gephardt into a weak third behind the odds-on favourite, Mr Dukakis, his bow-tie and folksy image may disappear from the screen.

BY LIONEL BARBER

During his time as a Congressman, Mr Gephardt has made a name for himself in legislation affecting farms, trade and, latterly, tax reform where he co-sponsored a bill with Senator Bill Bradley of New Jersey. This has enabled him to build a reputation as a politician who can cut a complex issue down to size and build coalitions to force through legislative reform.

which links the campaigns of those who won or did better than expected is the clear and simple message they projected and, particularly in the case of Mr Gephardt, his command of television in getting that message across.

BY LIONEL BARBER

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budget deficit decisively, was able to capitalise on the antipathy many state Republicans feel towards Mr Reagan's policies.

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Computer count pays off for Robertson

By Lionel Barber in Des Moines

THE BEST evidence of Mr Pat Robertson's organisational strength for the former television evangelist turned Republican presidential candidate set up his own computerised election return service in Iowa.

Rival service

The Robertson campaign said they set up their own rival service two weeks ago after their allegations of fraud in the Michigan Republican caucuses last month were rejected by the state party.

"It is a protective move," said Mr Ben Waldman, a Robertson aide, stressing that his service was faster and probably more reliable than NES.

Mr Waldman said it was made up of 310,000 of computer hardware, backed up by more than 2,000 volunteers in the election precincts ready to call in Monday night.

As described on Sunday, the Robertson volunteers each were given passwords, checked to ensure that only those with the correct password gained access to those tallying the results back at Robertson headquarters.

Having cross-checked the callers' identity, the tallyers would then feed the returns into a computer which, in turn, was programmed to tabulate each candidate's showing at the state and country level.

The system was put together by Mr Waldman who said he campaigned on behalf of Ronald Reagan in 1976 and was Associate Director of Presidential Personnel at the White House in 1985.

Phone banks

In fact, the Robertson system was largely modelled on NES with its network of volunteers, phone banks and computers. Indeed, in the past, Mr Waldman said he simply bought the equipment and devised, with help, an appropriate software programme.

The gain for Mr Robertson was that he reinforced his image of an outsider battling - but eventually winning - against the odds by using his own resources and volunteers. He intends to use the service throughout the rest of the campaign, Mr Waldman said.

Neat play in caucus beggar-my-neighbour wins trick for Gephardt

MARTIE FULTZ whooped with glee. A round lady in her late-thirties with jet black hair and deep red lipstick, she had just been selected as a Democrat delegate in the 1988 Iowa presidential caucuses.

BY LIONEL BARBER

seven o'clock, she arrived at the Holy Trinity School in Beesverdale, a white middle class suburb of Des Moines with a heavy Catholic population and an increasingly active number of evangelicals, fundamentalists and Christians.

front of the stage, stood 10 supporters, all white, of the black preacher-politician the Rev Jesse Jackson.

gates on offer began. The Simon people approached the "unlucky" Jackson group and, mixing threat with flattery, begged for their allegiance.

aid in the Iowa legislature, made the same switch: Simon is equally strong on the peace issue, he would reduce nuclear weapons, spend money on social programmes.

up three. On the Republican side, Senator Dole romped home with 54 votes in the straw poll to George Bush's 39, with Pat Robertson a distant third on 23.

Phone banks

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US urged to aid overthrow of Noriega regime

BY NANCY DUNNE IN WASHINGTON

MR JOSE BLANDON, former Panamanian consul general in New York, yesterday called on the US and other countries of Latin America to help in the "dismemberment" of the "criminal empire" headed by General Manuel Antonio Noriega, Panama's military strongman.

Brazilian railway strike bites

By two Dawny in Rio de Janeiro

THREE Brazilian iron ore mines were at a standstill yesterday and state authorities in the central west region warned that oil stocks were critically low as a result of a 10-day-old strike by railway workers.

US to probe airline scheduling

BY RODERICK ORAM IN NEW YORK

A SHARP deterioration in US airline punctuality last month has triggered a full-scale government investigation of scheduling practices.

FEUD ERUPTS IN LEADERSHIP

BY CANUTE JAMES IN KINGSTON

A SIMMERING feud in the leadership of the Trinidad and Tobago government has erupted with Mr Ray Robinson, the Prime Minister, sacking his deputy and two other Cabinet ministers.

Trinidad ministers sacked

BY CANUTE JAMES IN KINGSTON

The ULF drew most of its support from Trinidad's Indian community which makes up about half of the 1.1m population.

Star Wars experiment 'a success'

THE US yesterday claimed success for a sophisticated Star Wars experiment aimed at proving the controversial missile defence concept.

Giuliani quits race for Senate

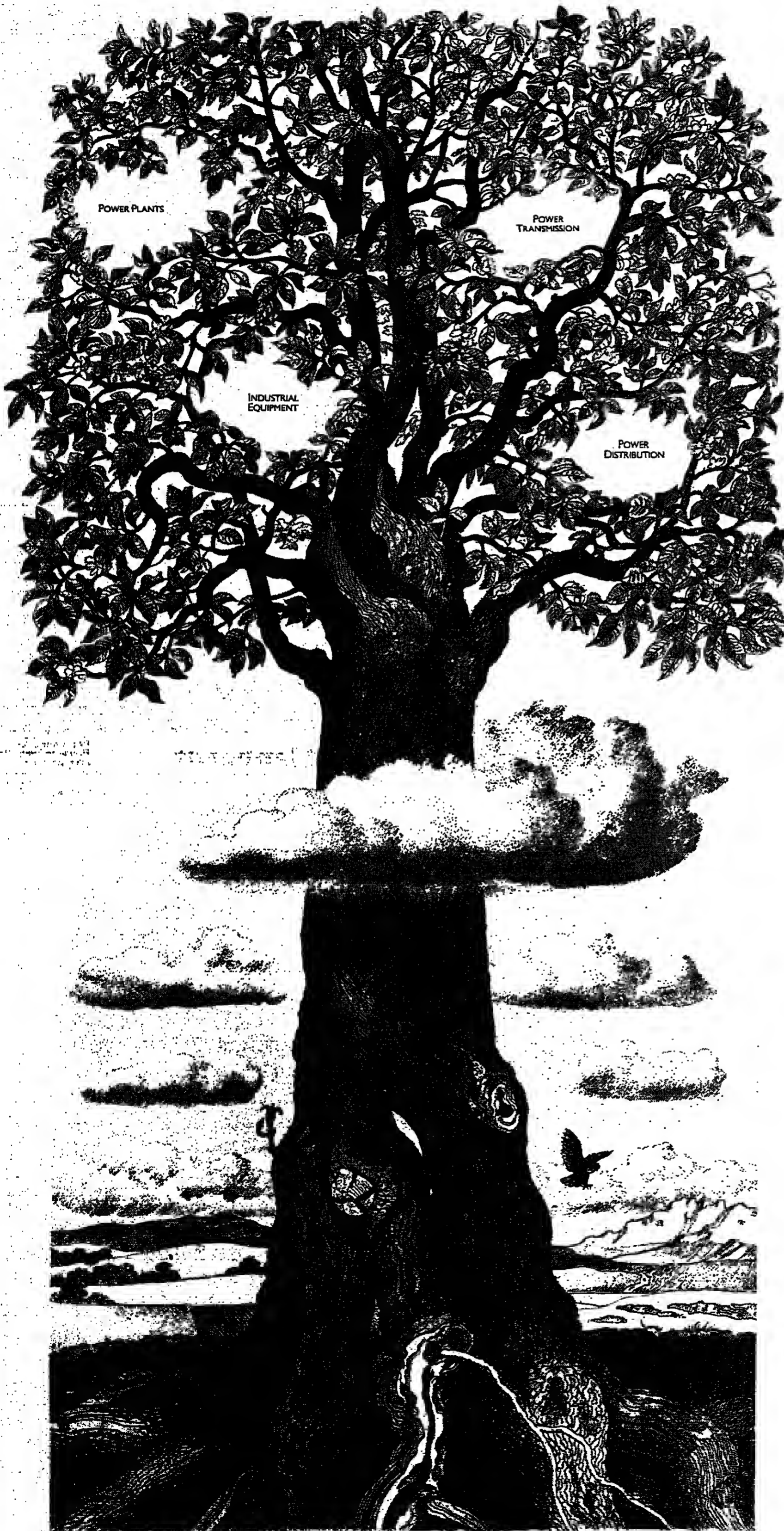
By Roderick Oram

MR RUDOLPH Giuliani, the New York district attorney, is to continue his fight against corruption in Wall Street and local politics rather than run for election as senator.

"It would be wrong for me to leave my office now, to leave the altar of another office or opportunity, because it would adversely affect some very sensitive matters still in progress," he said.



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WORLD TRADE NEWS

Japan offers Nigeria \$200m loan

BY PETER MONTAGNON IN LAGOS

JAPAN has offered to make a \$200m balance of payments loan available to Nigeria to supplement the \$600m trade policy adjustment loan it expects to receive from the World Bank this year.

The Export-Import Bank of Japan has signed two loan agreements totalling \$560m for power and railway projects in India, writes K K Sharma in New Delhi.

The rest of the money will go to the Railway Finance Corporation for modernisation projects which are also being assisted by the Asian Development Bank.

Bank is selling \$115m each fortnight to private sector importers. In the Lagos diplomatic community there is some surprise that Japan should be making a gesture to a country that takes only one tenth of a percent of its total exports.

Norwegians seek Swedish gas sales

By Karen Fosli in Oslo

STATOIL, Norway's state oil company, is to begin talks today on selling gas to Sweden, in which it owns a 15 per cent stake.

Sweden is to phase out nuclear power in the 1990s and wants to secure alternative energy supplies to fill the gap.

But it may be too late for Norway, which has vast gas reserves, to secure a niche in the Swedish gas market.

The Soviet Union last month signed two letters of intent for gas deliveries.

Boost for Third World trade

BY WILLIAM DULLFORCE IN GENEVA

THE WORLD'S richer nations expect to agree by the end of the year to remove barriers on imports of tropical products from the Third World.

At a meeting in July the negotiating group will review the results and arrange for final detailed negotiations in September-October. The intention is to achieve concrete results before the end of 1988 followed by their earliest possible implementation.

Under the programme countries will submit lists of tariff or other measures on specific products which they want scrapped or are willing to scrap. The lists will be submitted to the negotiating group on tropical products by the end of March.

Two rounds of multilateral consultations will follow in

June aimed at the fullest liberalisation of trade in tropical products.

At a meeting in July the negotiating group will review the results and arrange for final detailed negotiations in September-October.

Both the EC and the US are asking developing countries to provide additional data on their products, a step which some developing countries see as a preliminary to demands for concessions.

ers should be phased out quickly. Gatt lists seven categories of tropical products ranging from coffee and cocoa to vegetable oils, tobacco, fruits, nuts, spices, rice, manioc and other roots to rubber, jute and woods.

Developing countries are calling for barriers to be dismantled across-the-board, arguing that they have been promised concessions for years.

Their major trading partners, however, differ in their approaches. Both the EC and the US are asking developing countries to provide additional data on their products, a step which some developing countries see as a preliminary to demands for concessions.

KWU signs nuclear deal with Skoda

BY DAVID GOODHART IN BONN

KRAFTWERK Union (KWU), a division of the West German Siemens, has signed a contract to supply nuclear power plant equipment to Skoda.

The deal with the Czech company, an important supplier to the Soviet nuclear industry, could open a new phase in flows of civilian nuclear power technology and expertise from west to east.

The KWU umbrella agreement follows last month's official visit to Czechoslovakia by the West German Chancellor Helmut Kohl. KWU already exports equipment for servicing

and monitoring nuclear power plants to Skoda but the business represents less than one per cent of its DM 5bn turnover, a disappointing figure in the light of business expectations raised after the Chernobyl disaster. The latest deal should at least double the volume of business.

A greater flow of civilian nuclear expertise is also an issue in discussions between Mr Lothar Spaeth, prime minister of the state of Baden-Wuerttemberg, and Soviet officials in Moscow.

Mr Spaeth yesterday met Mr Mikhail Gorbachev, the Soviet leader. He also signed a memorandum on economic co-operation and the fifth of the joint venture agreements between Baden-Wuerttemberg companies and Soviet enterprises. This latest involves the German shoe maker Salamander.

Since its 1985 industrial fair in Moscow, Baden-Wuerttemberg has been pursuing closer trade ties with the Soviet Union. State officials believe that its small-scale, highly specialist, industrial base makes it well suited to profit from Soviet economic reforms.

High tech companies warn EC on mergers

By David Thomas

TWELVE of Europe's leading information technology companies are warning the European Commission against a competition policy which hinders the formation of European companies powerful enough to compete with the Japanese and Americans.

The warning comes in a response to the Commission's plan to create a free internal market by 1992.

It is contained in proposals from the EC Roundtable, which draw together leading European high-tech companies. Its members are SPC-ICL, General Electric Company and Plessey of the UK; Siemens, Nixdorf and AEG of West Germany; Bull, Thomson and CGE of France; Olivetti and Stet of Italy; and Philips of the Netherlands.

The companies believe it is crucial for EC-wide standards, particularly in telecommunications, to be agreed before 1992 and want governments to abolish national standards which inhibit free trade in the Community. Discussions on the draft paper have centred on cross-border mergers. The companies want all blocks on cross-border mergers and acquisitions removed. They say Japanese and US companies will provide sufficient competition even if one dominant European company or joint venture emerged in key areas of information technology.

Research and development. The companies argue that EC research programmes falling under the Framework Programme should be extended beyond the pre-competitive stage to cover products with market potential. They cite electronic data interchange - the communication of trade information and documents electronically - as an example where European companies could collaborate in bringing products to the market.

Public purchasing. The companies want EC governments to abolish remaining monopolies in telecommunications and argue for the liberalisation of telecommunications to be coordinated across the community. They favour a new EC body, independent of network operators, to ensure that the fast-growing area of sending business information over telephone lines, known as value-added services, is open to competition.

Australian-Turkish power plant steams into trouble

Chris Sherwell reports on a hitch in plans to build a plant and supply it with Queensland coal

AN AMBITIOUS multi-billion dollar Australian plan to build a 1,400MW thermal power plant in Turkey and supply it for 25 years with Queensland steaming coal has run into political problems in Canberra and Brisbane.

The project is the most advanced of five "build-operate-transfer" proposals to build coal-fired plants at coastal sites in Turkey. It includes a port and a coal supply operation, and will be advantageously located in a free trade zone at Gazi, near Iskenderun, in the south.

Discussions have been under way for more than two years, and the latest hitch was perhaps inevitable in so elaborate a deal. It came last week, when the Queensland state government, a key participant, admitted it had cold feet and said it would seek federal government involvement.

The Queensland government is one of many parties involved in the deal, spread across Turkey, Australia, the US and Japan. At the deal's heart is a tiny Sydney consulting company, Control Services, which is putting it all together. The project involves the guaranteed export of 3.5m tonnes of Australian coal per year for 25 years to fuel four 360 MW Turkish thermal power plants. It enables Australia to diversify markets for the country's biggest export away from its biggest buyer, Japan. The port would be used as a stockpiling point to market coal throughout Europe and the Middle East.

Under present plans, the Gazi port would be 70-80 per cent owned by Seapac, with the remaining 20-30 per cent held by Sabanci, a major Turkish company. Gama, a Turkish contractor, would build it. Total equity in the port would be around \$70m, while borrowings would amount to \$130m.

Ownership of the coal supply company would be split 76:25 between Seapac and Sabanci. It would have a smaller capital base than the port but a significant stockpile investment of \$100m.

The most complicated element of the deal is the \$1.2bn power plant. The main contractors are Chiyoda, Marubeni and Mitsui from Japan, while Hitachi, Babcock would supply the boilers and Westinghouse from the US the turbines. Gama would be the local contractors, while Tokyo Electric would be the design consultants. Toshiba and Brown Boveri would supply the electrics.



First Boston of the US is advising Seapac on the financing of the deal and arranging credits. Eximbank in the US and its counterparts in Japan and Australia would all be involved in providing cover.

Until now the Queensland government had been expected to be one of the Australian equity participants, to the tune of some \$60m. But that level of involvement was ruled out by last week's statement from Mr Mike Ahern, the state premier.

Mr Ahern was installed as head of government in December, following the sudden resignation of the maverick 76-year-old Sir Joh Bjelke-Petersen after almost twenty years in office. The autocratic Sir Joh had taken a close personal interest in the project, and his departure clearly made participation more difficult to secure. Queensland's treasury now has more clout, and the government, like its counterparts around the country, is strapped for cash.

In his statement, Mr Ahern said a treasury assessment of the proposed deal indicated that the level of investment expected from the Queensland taxpayer and the projected returns "did not balance". He also pointed out that some coal companies had "already indicated they were uncertain in relation to coal prices" and there was an "uncertainty of new mining infrastructure resulting from Queensland investment".

Queensland coal suppliers say everything hinges on prices. As far as discussed, they suggest, these remain too fine for the plan to proceed. They also confirm that the project would not, as had been hoped, lead to the opening of new mines. One company official volunteered the opinion that the project would not go ahead.

Seapac has so far reached an "implementation agreement" with the Turkish government, which amounts to agreement on the principle and substance of the project. Still to be settled are agreements on coal sales and shareholdings, which are where the coal suppliers and governments come in.

The closer involvement of Canberra seems likely to delay things further. Austrade, the federal department which would be involved in providing insurance, is available to help but gives the impression there is a long way to go before it formally commits itself.

Key federal government officials go further. They are openly disdainful of the project in its current form, saying the economics don't stand up. If it is such a good project for Australia, they argue, the coal producers would already have signed up.

Nevertheless, senior Turkish officials believe the deal is still on course. Negotiations - said to be in their final stages - will restart in the next two weeks.

The officials do not seem alarmed at reports that neither the Queensland nor the federal government remain enthusiastic about the project. Even if export credit cover were refused by the Export Finance Corporation, the Australian part of the financing package is not large and could be replaced, they say.

Restructuring the financing arrangements could help up the negotiations, however. A consortium led by the US's Bechtel has also been invited to talks in March. But the US-led group is still three months behind the Seapac venture, they add.

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UK NEWS

Health unions call for further round of protests

BY DAVID BRINDLE, LABOUR CORRESPONDENT

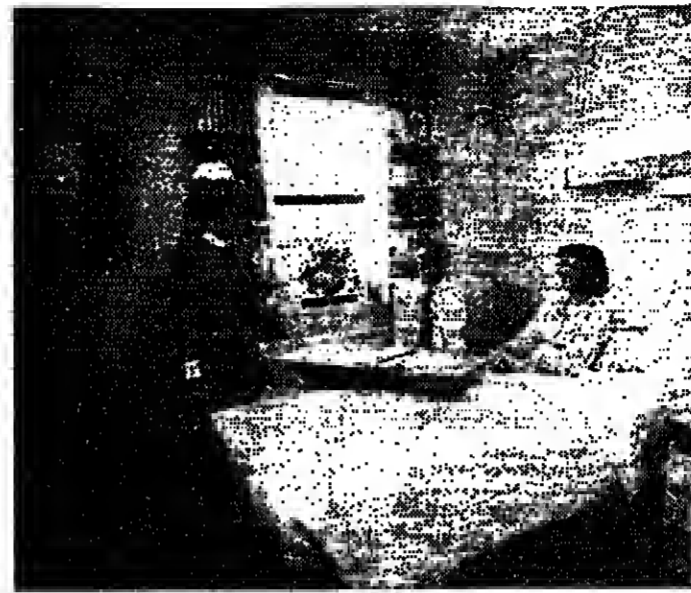
TRADE UNIONS representing the 1m National Health Service employees acted yesterday to pile further pressure on the Government over its policies, pay and funding for the National Health Service.

hours today in support of the regional protest. Mr Kenny Moran, senior TGWU shop steward, said: "Everybody's got the same feeling about the decline of the NHS. We will support the nurses in a march around Liverpool hospitals tomorrow."

activity suggests that the Government by no means survived the worst last week, when thousands of health workers went on strike for a day or joined demonstrations. Union leaders believe there is a rich vein of public sympathy to be tapped in the run up to the budget.

Feona McEwan and Alan Pike report on the shift to private insurance in Britain Patients insure against hard times

AS ALARM BELLS sound over Britain's public health service, bells of another kind are ringing loudly in the private sector. The crisis in Britain reached a climax last week when some nurses took industrial action to protest against low wages and proposed changes in the National Health Service.



A room in a Chancery private hospital

Leading private health insurance organisations have been inundated with inquiries from companies and the public since the start of the year. Private Patients Plan (PPP), one of the big three provident UK insurers, reports a 45 per cent increase in public inquiries at its Eastbourne clearing office during January compared with the same period last year.

Britain's population covered by insurance schemes but it is around 9-10 per cent. Laing's Review of Private Healthcare, one of the authorities on the sector, estimates that the recent annual growth rate in people covered by insurance has been 3 per cent. The insurers collected an estimated £612m in subscriptions in 1986 and paid £513m in benefits. It is estimated that about 70 per cent of treatment in private hospitals is financed by insurance.

"More companies are becoming aware that if they can keep a fit staff there is less absenteeism, which costs the country millions every year," said Bupa. Bupa says it attracted new business from 4,000 companies last year. This is in addition to 44,000 companies already covered, ranging from multinational to family businesses with five or six staff.

clients, rather than devising schemes to enlarge the market among individual subscribers. In a direct attempt to increase the private market, Nuffield Hospitals, which runs the greatest number of private hospitals in the UK, and Crusader Insurance combined last month to launch a lower cost insurance scheme aimed directly at private individuals.

Potential consumers have been increasingly exposed to mailshots and advertising. But the private insurers do not tend to see themselves as competing with the NHS. "I hope we can sit alongside the NHS," says Mr Ashdown, "never instead of it."

The stronger involvement of the commercial sector, which includes some US operators, has put pressure on all insurers to draw in new and younger subscribers. Hence the recent marketing drives, which the insurers deny are an attempt to exploit possible public doubts about the state of the NHS.

Inner cities allocated £259m

By Feona McEwan

THE GOVERNMENT yesterday allocated £259m to help revitalise Britain's run down urban areas. The move, one of a series of grants for inner cities, was announced by Mr David Trippler, a junior minister at the department of the Environment with special responsibility for the inner cities.

Scots board acts on coal tender threat

BY JAMES DUXTON

THE SOUTH of Scotland Electricity Board formally implemented yesterday the threat it made last week to invite tenders for its coal supplies from both state-run British Coal and other coal suppliers. The board warned last week that after April 1 it would seek to take coal from other suppliers unless British Coal lowered its prices by 10 per cent.

Yesterday the SSEB said that it wanted coal suppliers to state the source of supply of the coal. Its list of "preferred sources" does not include South Africa, it said. The SSEB said last week it would invite tenders for its coal supplies because it said British Coal was not only refusing to reduce its prices for coal from April 1, but was insisting on increased prices.

City of London sees further 120 jobs go

BY DAVID LASCELLES, BANKING EDITOR

ONE hundred and twenty more jobs have gone in the City of London as the market collapse continues to take its toll. CL-Alexanders Laing and Cruickshank, the investment banking subsidiary of Credit Lyonnais of France, dismissed 85 people yesterday to save costs. The jobs were mostly in settlements, computer operations and support services.

Mr Mark Powell, the chief executive, said that the cuts were "a considered reaction to lower volumes," but he stressed that they would not affect the company's services to clients. Of the total, 74 were redundancies and the remainder natural wastage. He said: "We were waiting to see what 1988 brought. And the answer is not mcb." CL-Alexanders Laing

and Cruickshank, which Credit Lyonnais bought at the end of last year, was losing money, he said. Its total payroll is about 1,600. County NatWest, the investment banking arm of the NatWest group, also confirmed yesterday that it had cut 32 people from its technical staff, though some might be offered jobs elsewhere in the group. The job losses were the result

of a rationalisation of central support services following a review launched last November. They come on top of 165 dismissals announced last month. The total number of job losses announced in the City since the market crash in October now exceeds 2,000, and many people believe the process of staff cutbacks is not yet complete.

Harwich seamen vote to end strike

By Jimmy Burns and Raymond Hughes

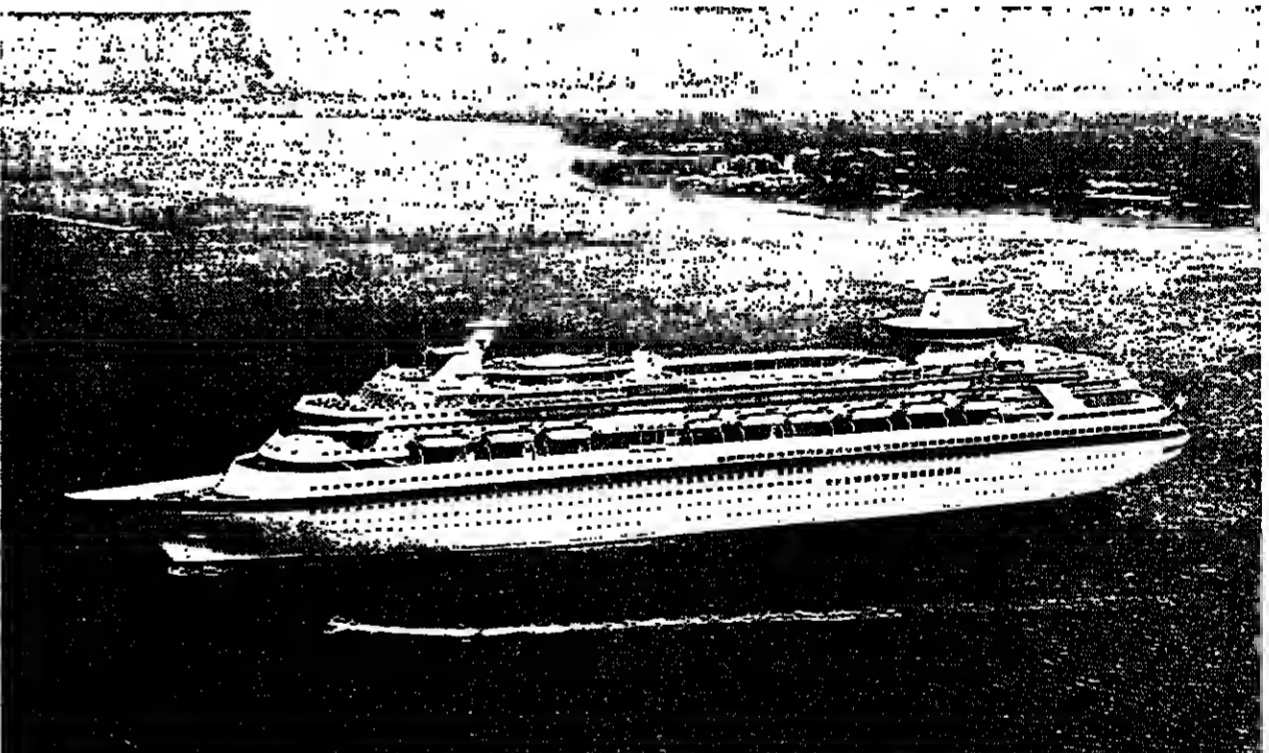
ONE of the main focuses of resistance within the National Union of Seamen to a High Court injunction which has ordered the union to end its strike disappeared yesterday when hard-lead led seafarers at the port of Harwich voted to return to work.

The decision is likely to affect the outcome of legal attempts by Sealink UK to seek sequestration of all or part of the union's £2.8bn assets in punishment for alleged contempt of court. The High Court is to continue today to hear legal argument by Sealink UK and the NUS.

Mr Mark Potter, counsel for Sealink, said yesterday that it must have been obvious to the NUS that the original national strike call raised legal issues about primary and secondary industrial action and the need for a strike ballot. "The strike was called as a matter of deliberate policy," Mr Potter said.

The union is hoping that within the next 48 hours about 900 seafarers still striking at Larne, Liverpool, Fleetwood, and Holyhead will also return to work. This will leave about 2,000 NUS members employed by P&O European Ferries on strike in Dover. P&O accepted in the High Court on Monday that the strike was primary industrial action in protest over the company's proposals for a new working agreement based on a reduction in the number of crews. P&O faces widening opposition to its plans after Numast, the officers union, voted in a mass meeting yesterday to reject the proposed new crewing arrangements.

Royal Caribbean Cruise Lines' magnificent new U.S.\$200 million 'fun ship' Sovereign of the Seas, is a tribute to modern shipbuilding technology. Two hundred and sixty-seven meters long, a passenger capacity of 2,673 and a GRT of 74,000, it is also the largest purpose-built luxury cruise liner afloat. Passenger information and entertainment is by means of a public address system employing over 2,000 loudspeakers, and a multichannel TV distribution network, both supplied by Philips, while a Philips digital paging system provides immediate contact with crew members throughout the ship.



For Philips, fun at sea is a serious matter.



Each item in the programme is expertly designed and manufactured to meet the exacting demands of our many maritime customers, which include Aalborg Værft, Alsthom, Bremer Vulkan, Chantiers de l'Atlantique, Kockums, Meyer Werft, Valmet Oy, Wärtsilä, etc. These leading shipyards chose Philips for two important reasons. First, capability. We have a wealth of know-how and experience in many aspects of onboard technology. Second, reputation. Our marine technology has been put to work by prestigious cruise companies such as Birka Line, Carnival Cruise Lines, Cunard Line, Holland America Line, Kloster Cruise, Norwegian Caribbean Lines, P&O, Princess Cruises, Royal Caribbean Cruise Line, Royal Cruise Line, Royal Viking Line, Sitmar Cruises and many others. So when you are planning a cruise, it is comforting to know that your fun at sea is taken so very seriously. Philips. The sure sign of expertise worldwide.



PHILIPS

UK NEWS

Airlines urged to raise crew for long-haul flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH airlines flying the latest types of airliners - either two, three or four-engined - over long distances are in future likely to have three pilots on the flight deck, instead of the two for which these aircraft are primarily designed.

This proposal, which is likely to increase the already growing demand for pilots, is being put forward for discussion by the Civil Aviation Authority and airlines and pilots' professional bodies, with the aim of making a third pilot mandatory for some very long-distance flights.

The plan stems from concern expressed both in the UK and other countries, including the US, that when many of these modern airliners, especially the new twin-engined types such as the Airbus A-300 and A-310 and the Boeing 757 and 767, are flown long distances non-stop, the strain on the two-pilot crew becomes formidable.

These aircraft, and other new types now under development, such as the Boeing 747-400 Jumbo, the four-engined Airbus A-340 and the three-engined McDonnell Douglas MD-11, are all designed for two-pilot crews as an economy measure, to reduce overall operating costs, and increase airline profits.

This is based on the fact that these aircraft have "electronic flight decks" where much of the work is done by computers, with the pilots acting as monitors. The manufacturers claim this enables the airlines to dis-

THE CIVIL Aviation Authority has asked the Department of Transport's Air Accidents Investigation Branch to join the inquiry into Saturday's near-collision between a British Airways Trident and a Bulgarian Balkan Airlines Tupolev 154 airliner over South-East England, writes Michael Donne and Tom Lynch.

Mr Paul Channon, the Transport Secretary, told the House of Commons that its report would be published. Acknowledging that this was "a very exceptional measure", he told MPs: "It is right that the public should have the full facts placed in front of them. If

there are reasons for public anxiety they must be tackled and dealt with."

Both airlines were en route to landing - the Trident at Heathrow airport west of London and the Tupolev at Gatwick south of the capital - when quick action by the Trident pilot narrowly avoided a collision at 18,000 ft. A total of 300 passengers were aboard the two aircraft.

The CAA has suspended two air traffic controllers on duty at the time at the West Drayton air traffic control centre which handles London flights. It has also ordered an immediate investigation by the Joint Airspace Working Group.

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It says it is becoming increasingly likely that in the years ahead more airlines will buy such aircraft.

British Airways has already ordered both the Boeing 767 and the 747-400 Jumbo, designed for two-pilot crews, by British Airways, has ordered the MD-11, while BA itself is now also studying the A-340.

The Civil Aviation Authority now says it recognises that pilots of two-man crews on long distance flights "cannot be expected to work for long periods without breaks for meals and other physiological needs."

It is thus proposing progressively to restrict the length of a permitted flying duty according to the distance flown.

In Brief Olivetti wins £36m computer contract

British Olivetti, UK subsidiary of the multi-national Italian computers and office equipment company, has won a contract valued at £36m over three years to maintain Barclays Bank's personal computers, minicomputers, office equipment and electronic service tills writes Alan Cane.

The contract, thought to be one of the largest of its kind placed in the UK, is an example of a growing trend towards "one-stop" shopping for computer maintenance.

Barclays Bank said yesterday that the single contract with Olivetti replaced agreements with 270 separate suppliers.

Mr Terry Hamington, Olivetti managing manager in its customer support group said: "We believe the Barclays deal put Olivetti among the top three third party maintenance companies in the UK."

Moonies challenge

The Attorney-General, Sir Patrick Mayhew, counsel for the state, was formally given leave to drop two High Court actions, aimed at challenging the charitable status of the Moonies religious sect because he considered that the available evidence fell short of what was needed to establish the Attorney's case.

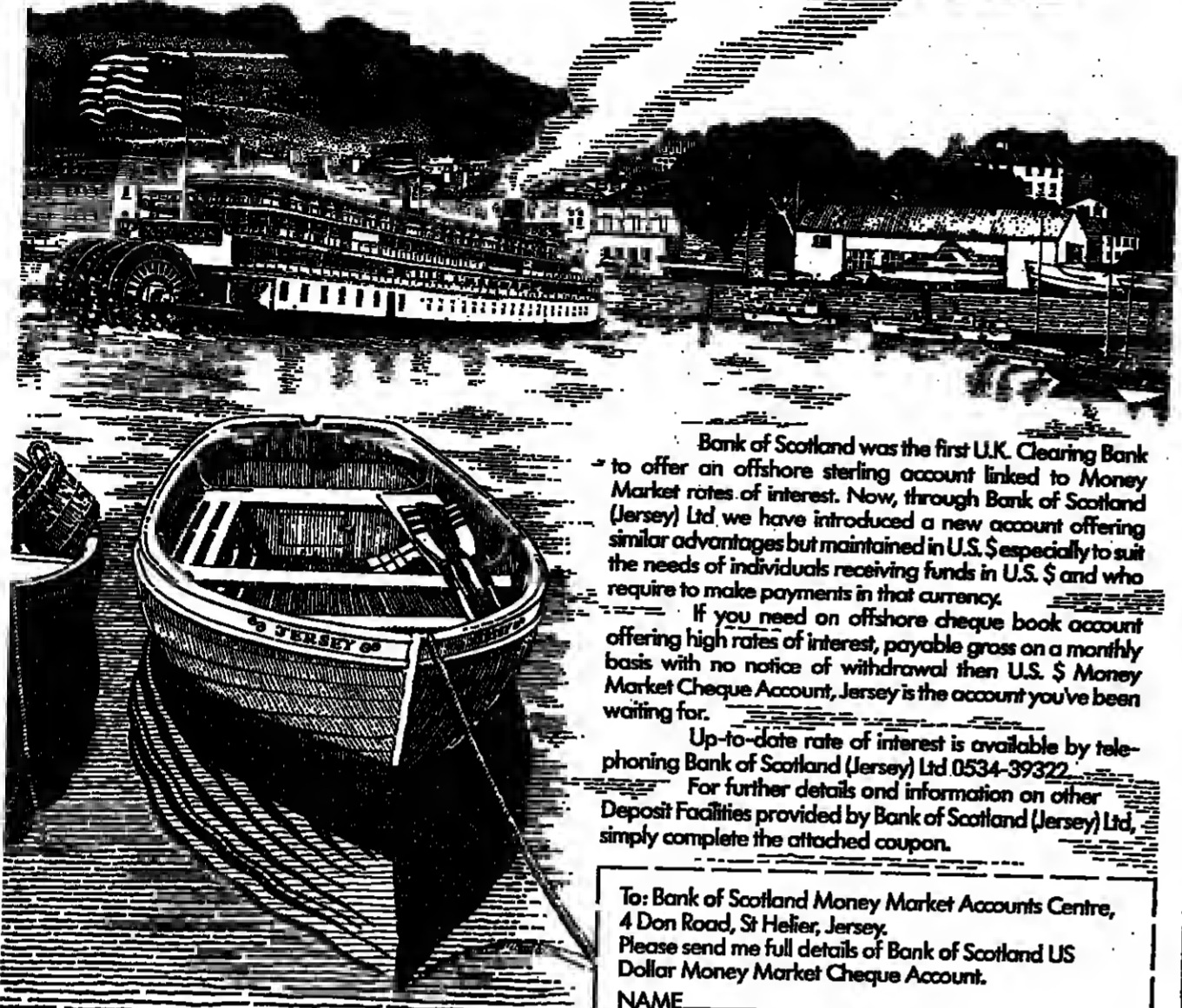
UK wheels deal

Avelling Barford, the Midlands-based construction equipment maker has reached a manufacturing and marketing agreement with Kawasaki Heavy Industries of Japan to make Kawasaki wheel loaders which will be sold under the Avelling name into the UK market; and re-launch Avelling's current range of wheel loaders. Avelling will also supply Kawasaki with a range of dump trucks to be manufactured and sold in Japan.

£10m tool plant

SKF & Dormer Tools, the leading supplier of cutting tools in the UK market, is to build a new production plant in Sheffield as a total investment of £10m. The company part of the SKF group of Sweden, plans to open the plant in the middle of next year and employ about 300 people, transferred from the company's existing city-centre site.

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Bank of Scotland was the first U.K. Clearing Bank to offer an offshore sterling account linked to Money Market rates of interest. Now, through Bank of Scotland (Jersey) Ltd we have introduced a new account offering similar advantages but maintained in U.S. \$ especially to suit the needs of individuals receiving funds in U.S. \$ and who require to make payments in that currency.

If you need an offshore cheque book account offering high rates of interest, payable gross on a monthly basis with no notice of withdrawal then U.S. \$ Money Market Cheque Account, Jersey is the account you've been waiting for.

Up-to-date rate of interest is available by telephoning Bank of Scotland (Jersey) Ltd 0534-39322. For further details and information on other Deposit Facilities provided by Bank of Scotland (Jersey) Ltd, simply complete the attached coupon.

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Bank of Scotland (Jersey) Ltd was incorporated in Jersey and is a wholly owned subsidiary of Bank of Scotland. Copies of the most recent Audited Accounts are available from R C Home, Director, Bank of Scotland (Jersey) Ltd, PO Box 583, 4 Don Road, St Helier, Jersey or from Bank of Scotland, Head Office, The Mound, Edinburgh, EH1 1YZ. Bank of Scotland Proprietors' Funds as at 28th February 1987 were £558.6 million. The net assets of Bank of Scotland (Jersey) Ltd, as at 31 December 1986 were £1.1 million. Deposits made with Bank of Scotland (Jersey) Ltd are not covered by the Deposit Protection Scheme under the Banking Act 1979.

Barclays starts grant database

BY CHARLES BATCHELOR

BARCLAYS BANK, the UK clearing, has launched a Grant Advisory Service to direct its business customers to direct its business customers to European Community, government and private sector grants and loans which they may otherwise have overlooked.

About 300 grants and soft loans are available in Britain from 40 different organisations but many are not taken up because companies are unaware they exist or they are too difficult to apply for, Barclays said.

The new service, unveiled yesterday, is to be run jointly with Deloitte Haskins & Sells, the accountancy firm, and will use a computer database cre-

ated by the University of Strathclyde in Scotland. Numerous publications on loans are available to businessmen but they are out of date as soon as they are printed, according to Mr Alan McFetrich, managing partner of Deloitte. The Strathclyde database will be updated overnight to ensure it is up to date.

The service, which is free, is available through Barclays branches. Branch managers will forward requests for information to Deloitte, which claims to be able to answer 90 per cent of queries by letter direct to the applicant within 24 hours.

Barclays said that a six-month pilot exercise in three areas of the UK - Preston in the north west, South Wales and Luton north of London - had produced 150 loan applications of which 30 were virtually certain to qualify for help, 75 were possibly eligible and 35 were not eligible.

Barclays expects to handle 3,000 applications for some form of aid in 1988.

The Dover and Thanet districts of Kent have been designated as qualifying areas for special European Coal and Steel Community loans because of coal pit closures in the area and the possible negative impact on this part of Kent of the Channel Tunnel.

Auction notice for Oriental Carpet Merchant. Includes table of items and prices: Description, Value Rec. Sale Price, Minimum Bid. Items include Isfahan, Kashkuy, Baluch, etc.

INSEAD MBA European Institute of Business Administration. Announces Scholarships available to British citizens with a university degree or equivalent professional qualification.

Apple Centre advertisement. 'ENGLISH SPOKEN HERE'. Will you and your computer dealer be compatible? What's so good about a computer with 9,000 functions if none of them meet your needs?

PRINCIPALITY OF MONACO UNIQUE. RENT YOUR OFFICE IN THE BUSINESS CENTER OF MONTE-CARLO in a sumptuous setting, close to the major hotels.

Berlitz advertisement. 'The language of international business isn't English... it's the language of your customer.' Berlitz logo and contact information.

Apple advertisement. 'Apple. The power to succeed.' Lists various AppleCentres and their contact details across the UK.

Handwritten note: 'سكنا من الاصل' (We bought from the original).

Macintosh stops Coke documents going flat.

Enjoy
Coke
REGISTERED TRADE MARK

NORTHERN EUROPEAN DIVISION REVIEW
NORWAY

PACKAGES IN TOTAL MARKET - 1986

COMPANY SHARE OF SECTOR

Enjoy
Coca-Cola
REGISTERED TRADE MARK

NORTHERN EUROPEAN DIVISION REVIEW
NORWAY

POPULATION 4,170,000

WEALTH INDEX (% of US per capita GNP) 88

UNEMPLOYMENT % 2

INFLATION RATE % 6

NORWAY

Promotions

For Coke, there was a "joke" under the crown promotion in May and June.

Coke light was supported by a promotion called "Find Your Taste" which was run in June. The promotion was linked to Astrology and was a consumer contest supported by magazine and national newspaper advertising and P.O.S.

A multipack promotion for TAB was run in May and supported by womens' magazine advertising and P.O.S.

New Products

The Sprite and Sprite light launch in the Spring began to be supported in April by local media advertising, P.O.S. and a display contest.

The Coca-Cola Company have spent over 100 years and many millions of dollars protecting their trademark.

So when it appears in documents it has to be reproduced accurately.

An Apple™ DeskTop Publishing System gives Coca-Cola Northern Europe the clarity and definition they require for their exceedingly complicated logo.

With software such as CricketDraw™ and PageMaker™ Coca-Cola Northern Europe have been able to create presentations that are much more presentable.

Apple provides all the subtle tints and tones, typography and graphics that you would expect from a professional printer.

But it isn't just Coca-Cola Northern Europe that's putting more fizz into their documentation.

Over half the DeskTop Publishing Systems in the UK today are Apple. They're producing everything from standard forms to technical manuals, simple memos to major documents and newsletters to newspapers.

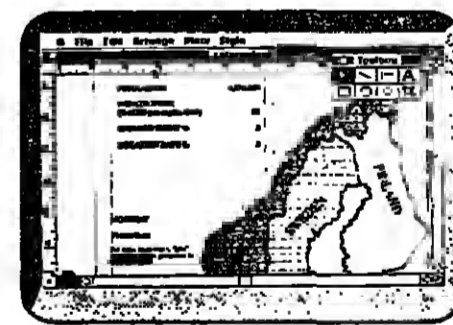
This may be because the Apple Macintosh™ is a machine that works the way you work so less time is spent learning how to operate it and more time being productive.

Or perhaps it's the ability to send messages around the office or around the world that persuades more people to choose Apple.

It could even be because Apple has more publishing and graphics software to choose from than any other system, with an almost endless variety of typefaces, styles and sizes.

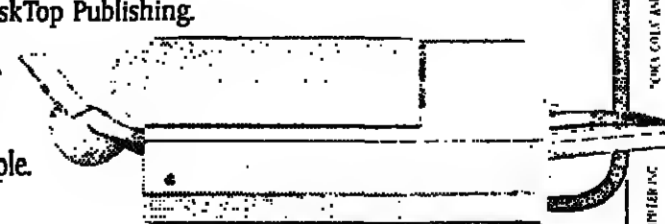
And, of course, with Apple you can mix and match from a wide range of computers and printers for the combination of power and quality you need.

If like Coca-Cola Northern Europe you want to get closer to the real thing then fill in the coupon below and we'll send you more information on Apple DeskTop Publishing Systems.



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COMPANY _____

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POSTCODE _____ TEL. No. _____



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JOBS

Word puzzle • What candidates want in ads

BY MICHAEL DIXON

HOW ABOUT 'Charlatany?', suggests a certain Guy Coleman of north London. In doing so, he brands himself as the cruellest of the 32 readers who have answered the jobs column's plea for help in finding a new name for a business activity now widespread in Europe.

The business consists of assisting people who have been fired or otherwise run into job difficulties to re-establish their careers. And, as I said when making the plea five weeks ago, Europeans engaged in the trade mostly dislike the word by which it is usually known - namely, "outplacement" - which was imported from the business's birthplace in the United States.

Mr Coleman's proposal is not, of course, a term that any of them will like any better. Nor is it one that fits the majority of companies in the trade. In Europe, at least, they mostly provide a reputable service that is already much needed and looks likely to become more so as the ways in which work is organised and the skills required to do it change in the wake of technological and economic upheaval.

Admittedly, the business harbours some outfits guilty of substandard and occasionally of dubious practices. It seems likely, although I don't know for sure, that Guy Coleman has fallen victim to one of that kind. If so, he - like all other potential customers of such companies - would do well to look out in future for the four

warning signals listed in this corner of the FT on July 15 last year. They are:

1. A claim by the company that it has access to the so-called hidden employment market through influential contacts which cannot be checked.
2. A claim that the company has a very good job-placement record because it makes sure to accept only high-quality people as customers in the first place.
3. A style of interviewing that casts doubt on the value of qualities which the customers see as their strengths while emphasising other qualities that they would depend on the company to market for them.
4. A request for a large payment in advance.

Even if Mr Coleman has suffered at the hands of one of the shysters, however, it is no reason for giving a bad name to the trade as a whole.

The trouble is that, despite great inventiveness on the part of some of the other 31 readers who replied, I doubt that any of them has come up with a name for the business that companies in it would generally wish to adopt.

An example is the proposal by a lady in West Germany of "CREAM counselling", in which the first word stands for "career rebuilding, education and motivation". That covers the ground all right. But unless the detailed meaning of the key word was always explained, which would surely make the title prohibitively long, it would

not convey to anyone who didn't know already what the trade was about.

A more promising term, suggested by seven people, is "career bridging". A further eight - noting that one fault of the word outplacement is that it puts the emphasis on "out", as in outcast - propose a simple alteration to "inplacement".

Although that would get rid of the unfortunate emphasis, however, I doubt that it is a sufficient improvement on the present term to serve as a substitute. After all, as one member of the trade points out, for all the shortcomings of "outplacement" its meaning is well understood by everyone in personnel management, at least.

"I suspect we are in danger of over-analysing the implied meanings of the word rather than treating it as a cipher," he adds. "The individual comes to us for help, we provide it. A rose by any other name...."

Seekers' wishes

ONE of the things job-seekers most often complain about in this column is advertisements that tell them pretty well everything about a post on offer except what they want to know. So there will no doubt be a widespread welcome for an initiative recently taken by the MSL International recruitment consultancy.

It has surveyed about 220 managers and key specialist workers who have come to its British offices as candidates,

asking them which sorts of information a job ad needs to provide in order to attract them strongly to apply. The results of the study, when set against those of a similar survey MSL made in 1972, show some marked changes in ambitious executives' concerns.

Top of the poll in the latest exercise is the starting salary figure, which was ranked among the most important items of information by three quarters of the candidates compared with two thirds of a similar number 16 years ago.

Second comes the "status" of the job-title - as measured by the added value it would give to a curriculum vitae - with a 73 per cent score as against 59 in 1972. Next is details of the practical experience sought by the employer with 67 per cent compared with 63.

Fourth at 61 per cent is the location of the work, which took second place with 76 per cent before. Fringe benefits came fifth with 59 per cent whereas 16 years previously they were ranked lower than anything except social and recreational facilities, with a mere 25 per cent score.

The only other item viewed as important by more than half of present candidates is a list of the aims the recruit is expected to achieve. In 1972 that item headed the league with 81 per cent.

In the view of Barry Curnow, MSL International's chairman, the changes in the ranking show the "meritocratic attitude

of many of today's managerial job-seekers for whom direct reward, recognition of status and a performance-related work environment appear to be emerging as prerequisites for a move. The ambitious applicant now demands measurable gains from an employer before moving."

The consultancy's experience is that the typical manager in the £25,000-£30,000 bracket will no longer make a change unless it guarantees a salary advance of £6,000.

Bio-technology

RECRUITER Alan Forrest of Strategic People consultants seeks a sales manager for the ORGS Systems biotechnology company in Slough. Founded in 1986, it is about to launch its first product on international markets.

The product, called ManLab, is a highly economic means of making purified "monoclonal antibodies" which enable drugs and the like to be directed to precisely the right target. The device sells for about US\$100,000 and is aimed at pharmaceutical and chemical companies, particularly in America, Europe and Japan.

The incoming sales manager will lead the marketing effort everywhere except the US, starting with helping managing director Glyn Edwards to identify key customers and decide whether it is best to employ distributors or direct

sales staff in the different countries.

Candidates should have a qualification in engineering or science and have succeeded in selling high-value equipment, preferably instrumentation, to customers in Europe and the Far East. While knowledge of bio-technology is not needed, experience in pharmaceuticals or chemicals would help.

Salary £25,000-£30,000 with "fully expensed" two litre car and, subject to good results, share options within a year.

Inquiries to Alan Forrest at The Range, Docket Eddy Lane, Shepperton, Middlesex TW17 9NT; telephone Chertsey (0932) 563213 or 567257.

Finance chief

A QUALIFIED accountant with impressive experience in senior financial management is sought by headhunter Michael Hann of Bull Thompson and Associates for a fast-moving consumer-goods company in north London. As he may not name his client, he promises to respect any applicant's request not to be identified to the employer at this stage.

Other needs are familiarity with manufacturing and proven commercial acumen.

Pay indicator is £30,000. Perks include car.

Inquiries to Mr Hann at 63 St Martin's Lane, London WC2N 4JX; tel 01-240 3661, telex 269701.

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Our client is a major UK institution with a good reputation for research, and a long-term commitment to the growth of their Equity function.

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Please contact Janet Stockton at the Securities Division, 39-41 Parker Street, London WC2B 5LH or telephone her on 01-404 5751. All replies will be treated in strictest confidence.



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- ★ **CASH MANAGERS** able to demonstrate excellent dealing skills and a wide product knowledge, including multi-currency bonds, CD's, FRN's, REPO's and CP. The position will entail cash management on behalf of institutional clients in conjunction with the investment managers. All candidates must therefore be superb communicators, able to liaise effectively within this organisation.

In both instances, the remuneration package will be highly attractive, reflecting age and current experience.

For further details contact Hilary Douglas, Stuart Clifford or Christopher Lawless on 01-583 0073 (answerphone after office hours).

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European bank seeks someone with a minimum of two years' experience in syndicated lending. He/she will handle negotiations, liaise with lawyers and deal with all documentation. The successful candidate will be used to direct client contact and be aged 25 - 32 years. Salary c. £16,500.

Please contact Shelagh Arneil on 01-583-1661 or send CV to her in confidence.
ASB Recruitment, 50 Fleet Street, London EC4Y 1BE

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THE · BEAUTY · IS · IN · UNDERSTANDING · IT

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You must be a graduate, aged 25-35, perhaps an ACA or MBA, with some expertise in investment administration, management information and/or marketing strategies in the unit trust, pensions and related fields.

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accountants and management consultants, we can promise you'll find no shortage of challenge.

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For an informal discussion or a full information pack, please contact Charles Fitzhala or Nick Root, our recruitment consultants, on 01-404 5751, or write enclosing a full curriculum vitae to them at **MICHAEL PAGE CITY**, 39-41 Parker Street, London WC2B 5LH.

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SWINDON BASED

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- This is a senior position reporting to a European HQ function as well as being part of the regional management team.

Background requirements include an appropriate degree level qualification with up to 5 years relevant credit/treasury experience, including a period of supervising staff. Membership of the Institute of Credit Management is preferred.

The rewards include a competitive merit related salary, free private health & life assurance, profit sharing, stock participation plan and company car.

Please write, enclosing a current c.v., to Ray Withery, Intel Corporation (UK) Ltd, Pipens Way, Swindon, SN3 1RJ.

Or telephone for an application form: Swindon 696000.



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City Based
£35,000 + Car

This major international investment management group, provides a variety of services worldwide to corporate and private clients. Your responsibility will be to manage and develop all aspects of compliance for UK and overseas operations.

Working closely with the Group Compliance Officer, you will assist in the framing and implementation of policy and procedures to aid the company in its adherence to statutory regulations under which it operates. Other key tasks will include internal training and education on compliance requirements, together with the supervision of their internal audit.

Aged 28-35, a qualified accountant or ACIS, you have an aptitude for legal matters, preferably having worked in the financial services sector. A self starter, with excellent administrative and interpersonal skills, you will be seen as both credible and approachable at all levels of management.

Please write with full career and salary details, in complete confidence, to Jane Comben, Associate Director, Cripps, Sears and Partners Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone 01-404 5701.

Cripps, Sears

TRADE FINANCE

ITALIAN MARKETS - TO £35,000

Leading UK Merchant Bank with powerful client base seeks an international banker (aged 28-35) experienced in the negotiation, construction and marketing of export finance packages for the Italian/Spanish markets.

Fluent Italian and a minimum of 5 years experience of relevant S.A.C.E. or C.E.S.C.E. documentation is essential. Some knowledge of Spanish would be an advantage.

Please call Sara Boussey for further details.

All enquiries will be treated in the strictest confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-586 4224.

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

COMPANY SECRETARY

Fast growing quoted Plc. wishes to appoint a Company Secretary. The vacancy has arisen due to the impending retirement of the present incumbent. We are looking for a young qualified lawyer who will not only deal with routine company secretarial matters but has the ability to lead on all documentation relating to acquisitions. The company has a current turnover of around £25 million and is based in the Thames Valley.

Applications with full CV to the Chairman, Box A0813, Financial Times, 10 Cannon Street, London, EC4P 4BY

Major Insurance Group Investment Research Manager

Aged 24/28

c £27,000

The UK subsidiary of an International Insurance Group seeks a Research Manager to support its City based Investment Management operation. As this department has recently been created, there is considerable scope for the research capability to be developed.

Funds under management are predominantly fixed income and the jobholder's main responsibilities will include decision support analysis, asset allocation and portfolio strategy, performance measurement and development of internal systems.

Candidates are likely to be highly numerate graduates in their mid-twenties. They should have some familiarity with fixed income investment, be computer literate and possess an analytical approach to problem solving. Some technical training will be provided.

The company offers a negotiable salary in the region of £27,000 and excellent benefits including a subsidised mortgage facility.

Please reply in confidence to Caroline Magnus, quoting ref. 869, at Overton Shirley and Barry, Prince Rupert House, 64 Queen Street, London, EC4R 1AD. Tel: 01-248 0355.

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We are a newly formed financial services company and wish to expand our private client portfolio management base. Total confidentiality assured.

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Expansion
phase 3

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Datastream International is a market leader in the exciting world of financial information, providing software and data to some of the world's major decision makers. Our large databases provide on-line access to a wide variety of products and services such as: portfolio valuations, equity and bond research and investment accounting.

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Having recently moved into attractive new offices to accommodate expansion, we invite interest from

professionals with substantial experience in Executive Recruitment, preferably although not necessarily in the Financial Markets. In joining us you would become part of an established, professional group which together comprises a team of unusual enterprise and energy and whose regular clients include some of the City's most eminent names. You would have the freedom to work on your own initiative in your own market and with discretionary management of a substantial budget. If you would like to discuss this opportunity in complete confidence please write or telephone John Sears, Managing Director, John Sears and Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Telephone 01-222 7733.

**John Sears
and Associates**

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£ Highly Competitive

Our client is a major international investment bank and part of a "Triple A" rated banking group. They are currently looking to recruit two additional ECU bond traders to join their existing high calibre team.

Strong trading skills, with at least 12 months direct experience in ECUs, will have been gained with a leading player.

Candidates should be educated to degree level although all individuals with an excellent track record will be considered. Benefits will include an attractive performance related bonus.

Those interested should contact Jane Harvey on 01-404 5751 or apply to her in writing, enclosing a comprehensive curriculum vitae at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page City

International Recruitment Consultants
London Paris Amsterdam Brussels Sydney
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Global Swaps Trader

Our client, the London branch of a leading US Bank is seeking to expand its Swaps operation with the appointment of an experienced trader.

Reporting to the executive director the successful candidate will be responsible for originating, marketing and executing swaps business in the Benelux, Scandinavian and Middle East markets. This business will include all forms of swaps and other interest rate risk products including FRA's caps, collars and options. Working in close liaison with New York the successful candidate will be expected to have strong working knowledge of swaps trading in US dollars and an excellent understanding of Deutsche Marks, Canadian and Australian dollars and Yen.

Candidates, probably in their late twenties/early thirties, will be graduates with an M.B.A. and have about eight years' banking experience with major international institutions of which the last two will have been spent working exclusively on swaps and their related products.

Those interested should contact John Green on 01-404 5751 or write to him in confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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Michael Page City

International Recruitment Consultants
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Eurosterling

The expanding Fixed Interest Department of this highly innovative Investment Banking Organisation, is seeking self motivated Institutional Eurosterling Salespeople. This position will appeal to candidates over 30 with an existing track record in the Fixed Interest Market who now desire the rewards which reflect their achievements.

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The London office of this large International Brokerage Firm is actively seeking experienced Salespeople/Account Executives with specialist knowledge of either Commodity or Financial Futures.

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If you are able to meet the above criteria, please contact Irish Collins or Daniel Berry on 01-929 2383 or send a full CV in strictest confidence to Reed City, Fourth Floor, 1 Royal Exchange Avenue, London EC3V 3LL.

REED... City

Jonathan Wren

Stockbroking Division

JAPANESE EQUITY/ WARRANT SALES

A leading international investment bank is expanding an already substantial global warrant sales capability and we have been retained to advise in the recruitment of an exceptional candidate for the above position.

The successful applicant will develop business with Swiss institutional clients, and will therefore require strong linguistic abilities — good spoken English, French, Italian and Swiss German is essential. In addition three years' experience of Swiss Franc and US Dollar Japanese Equity Warrants, familiarity with both the sales and trading aspects of these instruments and an understanding of the Swiss market are also essential requisites.

Remuneration for this appointment will consist of a substantial guaranteed package, a performance end profit related element and full City benefits.

Call Ann Winder on
01-623 1266 (daytime) or 01-466 1025 (evenings)
or alternatively forward a detailed curriculum vitae.

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Jonathan Wren

Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266 Fax: 01-626 5258.

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Location Planning Manager

- with retail banking/
financial services experience
c.£20,000

If you have experience in retail banking with strong analytical and communication skills, this challenging career opportunity could be for you. MPSI Systems Ltd is the well established and expanding European division of a US multinational company which designs and markets computer software and databases specifically for multi-site retailers (banking, petrol, convenience food etc). These products significantly assist users to maximise potential from their distribution and branch network and help them to resolve related strategic planning issues.

Your task will be to advise and assist financial sector clients on the proper and most effective use of MPSI's products and services. Presentations to potential clients and assistance with product development will also be included in this wide ranging and interesting role.

Ideally you will be over twenty-five with a degree in a numerate/business discipline and now be working for one of the clearing banks or building societies in a role involving strategic planning. Experience in branch network development and familiarity with retail banking trends in Europe would be an advantage.

Salary negotiable as indicated plus car. Full training will be given. Relocation assistance if necessary to Bristol area. There will be occasional travel within Europe.

Please write with full career and personal details to: The Personnel Manager, MPSI Systems Ltd, 85-87 Jermyn Street, London SW1Y 6JD.

We are pleased to announce
the appointment of

**Mr Mathewson Green and
Mr Robin Rogers**

as Managing Directors
and the appointment of

Mr Giles Crewdson

as an Executive Director
in our London Office

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STAMFORD SYDNEY TOKYO WASHINGTON DC

150 من الاصل



Ciao Ciao

It's no longer a matter of "when in Rome..."

More a matter of when in Cardiff, Birmingham or Barnet. At a Pastificio Fresh Pasta Restaurant, of course. From the initial idea in 1985, through the designing of its distinctive Romanesque decor to the ever increasing number of bustling restaurants, Pastificio hasn't faltered once.

In fact, by the end of this year there will be 24 Pastificios open for business.

That's how to build a success. Recognise a gap in the market and fill it with style and flair.

Grand Metropolitan ought to know. It's been behind a great many successful new product launches. Brands like Skt Light from Eden Vale, Barnaby's Carveries and Malibu are proving a great success.

And, while it's not a new product, Webster's Yorkshire Bitter is another excellent example of Grand Metropolitan recognising potential and doing something about it.

In 1983 Webster's was a brand known only to a select few. Three years later, with brilliant marketing and distribution, it had become Britain's third biggest bitter brand, with pint after pint being pulled in 12,000 pubs throughout the UK.

Grand Metropolitan is now one of the UK's biggest, most broadly based international companies. Its strengths are Specialist Retailing, Drinks, Food and Hotels & Gaming. By building on these strengths it is succeeding in more countries and with more customers.

And it is still growing rapidly.

Which isn't surprising. Its philosophy is, after all, to develop and add value to all its brands, businesses and properties.

Pastificio gives that philosophy an extra twist.

GRAND METROPOLITAN

adding value 

25
YEAR ANNIVERSARY
1962-1987

هكذا من الأصل

ARTS

Television/Christopher Dunkley

Still in thrall to print

The series generally known as Ten Great Writers which was made for Channel 4 by Melvyn Bragg's department at London Weekend Television...

Once you have grasped the intention - to use television to define and exemplify Modernism via its literary manifestations...

makes you want to see the entire work. The Secret Agent in the Conrad programme was a splendid example...



Roger Rees (right) portraying Marcel Proust

acquire a remarkably clear idea of the Modern movement in literature and what it represents: in technique, experimentation and introspection...

O Babylon/Riverside

Martin Hoyle

This is a rum do: an ostensibly Jamaican reggae musical occasionally recalls his greatest triumph. It mercifully escapes the reggae straitjacket...

How The Other Half Loves/Greenwich

Michael Coveney

Alan Ayckbourn's very funny 1969 comedy receives a timely and beautifully organised revival at Greenwich...

gloves, curious belching noises and William's muttered instructions. Meanwhile, on the following evening, Theresa Phillips (Louisa Rick) is getting up a good head of hysterical steam...

Christopher Benjamin's Frank has a Morleyesque portly, avuncular authority, but he also digs deep into the role to find an insecurity masked by boules...



Gabrielle Drake and Christopher Benjamin

Zola's Nana/Mermaid

Claire Armitstead

The Mermaid enters its post-RSC era with as raunchy and uncommitted a piece as one is likely to find...

the part of Nana is tossed from performer to performer, becoming a mother to the infatuated Belinda. David as the whore of Babylon to the lusting count Muffat and an unwanted baggage to her actor lover Fontan...

South Bank attracts record audiences

The South Bank concert halls attracted record audiences during September - December 1987...

Arts Council disappoints Big Four

This is bad news week for the Big Four leading British arts companies - the Arts Council is raising their basic grants for 1988-89 by less than the certain increase in inflation...

Arts Guide

Table listing various theatrical performances across different cities: London, New York, Chicago, Tokyo, and Washington. Includes titles like 'South Pacific', 'Fences', 'Les Misérables', and 'The Phantom of the Opera'.

Advertisement for COUNTY DURHAM, featuring text about financial times surveys and contact information for Hugh G Westmacott.



Dame Wendy Hiller in a geometric feathered hat as Lady Bracknell, drawn by his fellow actor, Clive Francis. A large exhibition of Francis's caricatures, sponsored by Mobil, has opened in the NT's Lyttelton Circle foyer...

London based companies are still the losers from the Arts Council's Glory of the Garden policy which switches money from the capital to the regions. Although the Arts Council seemed to receive a generous grant of £150m (as against £128.4m in the current year) from the Minister for the Arts for 1988-89...

Antony Thorncroft

Judy Dempsey on Austrian reluctance to confront Kurt Waldheim's past

A people fighting shy of history

HOURS after the international commission of historians presented its report on the wartime activities of Mr Kurt Waldheim...

Die Presse, a leading Austrian daily, ran the headline: "Waldheim was no war criminal but he knew" and "President: no grounds for resignation..."



Interference and ultimately inhibited the maturity of a democracy. For many Austrian intellectuals, the Waldheim affair represents a choice for the Austrian soul...

Regional policy Closing Britain's economic divide

By John McEnery

BRITAIN'S regional problem stems from the distribution of jobs in service industry, not manufacturing. In the whole country, 57 per cent of employees are in services...

service industry. It is these headquarters, themselves autonomous services, that in turn spawn the vast range of ancillary services in the south-east...

Letters to the Editor

Privatising electricity

Sir, Max Wilkinson's article (February 8) once again highlights a serious flaw in government policy on the Electricity Supply Industry (ESI)...

ing unfairly with the private sector, either under subsidised interest rates in a state sector, or cross subsidised by a market dominant CGB.

technology on security of supply grounds, is unlikely to be convincing in the face of an independent sector bristling with ideas such as combined heat and power...

Market guidance is preferable to anarchy

Sir, It is terribly easy for ideological free traders to trot out the familiar phrase that government intervention in international markets means "bureaucrats being left by ministers to play God..."



Well before inviting you to invest in a Scania truck we'll have made a substantial investment in it ourselves. For instance, over 70% of sales turnover goes into research and development...

Inward investment calls for EC debate

Sir, I feel that Mr David Sewers (Letters, February 1) misrepresents Mr Burton's article advocating European Commission interest in inward investment by Far Eastern manufacturers...

Term basis?

Is the investment balanced between research, development and production? Will the investment improve the Community balance of payments by way of exports?

Market guidance is preferable to anarchy

From Mr William Wallace. Sir, It is terribly easy for ideological free traders to trot out the familiar phrase that government intervention in international markets means "bureaucrats being left by ministers to play God..."

Also, and more importantly...

also, and more importantly, to screw up the economies they were attempting to promote, we should move as rapidly as possible to close down the Department of Trade and Industry (DTI) and the Department of Employment...

Less of a purchase, more of an investment

SCANIA Scania (Great Britain) Limited, Milton Keynes MK15 8HB, Buckinghamshire. Telephone: 0908 210210. Telex: B25376. Fax: 0908 210186.

Finsider plans to hive off loss-making subsidiaries

BY JOHN WYLES IN ROME

THE BOARD of Finsider, the loss-making Italian state-owned steel company...

LI,500bn (\$1.2bn) loss, would be grouped in a new operating company...

already drawing fierce union protests, while the plan to put the fading unit into a separate group...

Ericsson posts 18% advance in income

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications group, reported an 18.5 per cent increase in profits...

Linde bids for French group

BY GEORGE GRAHAM IN PARIS

IN THE often sleepy French regional bourse of Nancy, a tussle is breaking out that promises to provide a miniature image of two of the most heated takeover battles France has seen in the last year...

of the questions over French takeover law that were left unanswered in the recent battle for Martell, the cognac group...

pay FF4,500m, or 35 times historic earnings, for Duffour et Igon, has lodged a public offer...

Gotthard Bank earnings edge ahead

BY WILLIAM DULLFORCE IN GENEVA

GOTTHARD BANK (Banca del Gottardo), the Lugano-based Swiss bank controlled by the former Bank of Japan...

After the capital increase, shareholders' equity will amount to SF5,500m compared with an end-1987 balance sheet total of SF4,870m...

depreciation and provisions to SF47m. An extraordinary dividend of SF10m from Gotthard Bank International, Nassau, was allocated to reserves...

Final-quarter profit (after capital gains) rose by a mere 4 per cent...

Ericsson agreed to sell its computer and business and electronics systems operations to its Nordic rival Nokia...

Audet agent clears way for VNU takeover

By Laura Raun in Amsterdam

AN AGENT for shareholders of Audet, the Dutch newspaper chain, yesterday opened the way for a takeover by VNU...

Storebrand warns staff of big shake-up

By Karen Fosell in Oslo

MR JAN ERIK LANGANGEN, managing director of Storebrand, Norway's largest insurance company, yesterday warned his 1,500 employees of a large-scale restructuring plan...

Flat year at S-E Banken

BY OUR STOCKHOLM STAFF

SKANDINAVISKA Banken, Sweden's largest bank, reported virtually unchanged operating profits for 1987 at SKr4,050m (\$669.4m)...

Share trading in Carnegie halted

BY OUR STOCKHOLM STAFF

THE STOCKHOLM Stock Exchange yesterday called a halt to trading in the shares of Carnegie, a US investment company...

NOTICE OF REDEMPTION BY THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON. To the Holders of Debentures U.S. \$25,000,000. 9 1/2% Debentures due March 15, 1990.

Principal Amount Redeemable March 15, 1988 - U.S. \$2,380,000. NOTICE IS HEREBY GIVEN THAT The Regional Municipality of Ottawa-Carleton will redeem on March 15, 1988 Debentures bearing the numbers listed below at 100% of the principal amount of each Debenture plus accrued interest to the redemption date.

Table listing U.S. \$1,000 COUPON BEARING DEBENTURES with columns for serial numbers and interest payment dates.

The above Debentures will be paid upon surrender of the Debentures accompanied by all interest coupons...

CITICORP OVERSEAS FINANCE CORPORATION N.V. (Incorporated with limited liability in the Netherlands Antilles) US\$125,000,000 GUARANTEED RETRACTABLE NOTES DUE 1997.

SABRE V Limited U.S. \$185,000,000 Floating Rate Secured Notes due 1992.

U.S. \$150,000,000 Northeast Savings, F.A. Collateralized Floating Rate Notes Due 1996. Interest Rate 6.375% per annum.

U.S. \$300,000,000 Republic of Indonesia Floating Rate Notes due February 2001. In accordance with the provisions of the Notes, notice is hereby given that for the interest period from February 10, 1988 to August 10, 1988 the Notes will carry an interest rate of 7 1/2% per annum.

MERCHANT BANKS CLIENT LEAGUE

BANK

CLIENTS

(Last year's position in brackets)

1 (1)

Hill Samuel

125.5

...The Financial Times, Monday, 1st, February 1988

Some things don't change

No one in the financial sector needs to be reminded that we're living in exceptionally turbulent times.

It's reassuring, therefore, to find that at least one aspect of the City has remained unchanged.

As the newly published 1988 issue of Crawford's Directory of City Connections shows, Hill Samuel remains the country's leading merchant bank when ranked by number of clients.



HILL SAMUEL & CO. LIMITED

Number one with clients

Coupons cut on Japanese equity warrant issues

BY CLARE PEARSON

NEW ISSUERS managers were yesterday compelled to cut coupons on new Eurodollar Japanese equity warrant bonds to as little as 4% per cent at the price as almost all recent issues traded well over par. Yet, underlying the cautious approach of Japanese securities houses to the sector, which was reopened last month after a hiatus of nearly three months, issues announced yesterday were still indicated with coupons 1/2 per cent higher. There is a gap of a week between announcement and fixing.

All the newly announced Eurodollar equity warrants issues, with 5 per cent coupons, were for \$100m, with five-year maturities and priced at par. They were an issue for Shin-etsu Chemical, led by Daiwa Securities, bonds for Takashimaya, the upmarket department store chain, and Trio-Kenwood, the audio appliances manufacturer, both led by Nomura International, and a deal for Sumitomo Marine and Fire Insurance, led by Daiwa Europe.

In response to the firmer US Treasury bond market. Dealers described the market as quiet but firm. Banque Paribas Capital Markets led a \$850m three-year 9 1/2 per cent Eurodollar note, issued by Gaeslen, priced at 101 1/4, while Swiss Bank Corporation introduced banking led an \$550m 12 1/4 per cent three-year bond for Rabobank Nederland, priced at 101 1/4.

INTERNATIONAL BONDS

Meanwhile, Mitsui Bank also issued a \$100m two-tranche five-year convertible in Switzerland, split equally between a public bond and a private placement. The coupon is indicated at 1 per cent, semi-annual, it is led by Swiss Bank Corporation.

Bank of Denmark, split into a Y7bn "bull" tranche, and a Y14bn "bear" tranche, both with redemption linked to the Japanese Topix index of First Section shares. The 3 per cent "bull" tranche is priced at 100 1/4 while the 5 per cent "bear" tranche is priced at 100 1/4.

Riyadh to restrict treasury bond sale

By Richard Johns

SALES OF treasury bonds by the Saudi Arabian Government, worth as much as \$2.5bn, are expected to be restricted to domestic commercial banks and public corporations, a senior official in Riyadh was quoted as saying yesterday. Mr Saleh al Omar, Deputy Minister of Finance and Economy, was reported by the newspaper Al Sharq al Awwal, as saying that he would be asked to issue "as needed" bonds and would have varying dates of maturity.

Japan increases domination of banking market

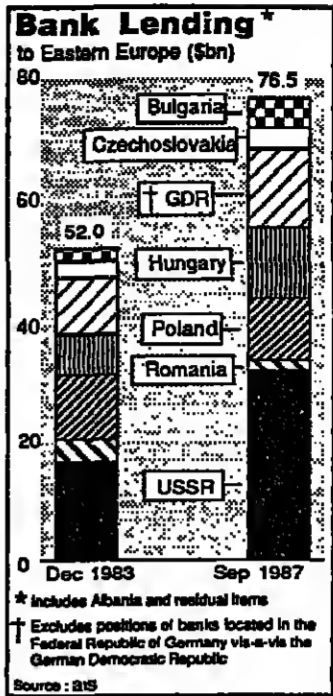
BY ALEXANDER NICOLL, EUROMARKETS EDITOR

INTERNATIONAL BANK lending again grew briskly in the third quarter of last year, with Japan increasingly dominating banking markets, according to figures from the Bank for International Settlements. Cross-border claims of banks in the US, Japan was the source of two-thirds of the \$43bn of new funds supplied into the international banking system during the quarter.

Debt trend benefits Eastern bloc

By Our Euromarkets Editor

EASTERN EUROPEAN countries have been indirect beneficiaries of the trend towards securities in the debt markets in the Western world, the Bank for International Settlements says. In a study of lending to Eastern Europe accompanying its quarterly lending figures, the BIS says: "The securitisation of most international borrowing by industrial countries during the early and mid-1980s, and the lack of many credit-worthy borrowers elsewhere, had the indirect effect of stimulating banks' interest in new lending to most Eastern European countries."



* Includes Albania and residual items. † Excludes positions of banks located in the Federal Republic of Germany vis-à-vis the German Democratic Republic. Source: BIS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Bid, Offer, Change, and Yield. Includes sections for US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, EUROPEAN STRAIGHTS, DEUTSCHE MARK, and SWISS FRANCS.

Rhône-Poulenc raises \$300m

BY OUR EUROMARKETS EDITOR

RHÔNE-POULENC, the French chemicals group, is seeking a \$300m multiple option facility in the Euromarkets with BNP Capital Markets as arranger. The five-year credit, extendable to seven years, has a complex structure for its facility. At the outset, the firm is to receive \$124m in loan amounts and three basis points on amounts designated as "unavailable".

Stanbic lifts pre-tax profits

By Our Financial Staff

STANDARD BANK Investment Corporation (Stanbic), the South African bank diversified in equities by London-based Standard Bank, announced yesterday that its pre-tax profits for 1987 were \$22.2 million, up from \$20.7 million in 1986.

IN THE PAST FEW YEARS WE'VE DONE OVER 1,100 SWAPS, WORTH OVER \$35 BILLION.

Advertisement for Shearson Lehman Hutton featuring a large headline and text describing swap services. Includes the slogan 'MINDS OVER MONEY' and contact information for London and New York offices.

COMMODITIES AND AGRICULTURE

Steven Butler on the implications of the Financial Services Act for the Brent market
Oil traders braced for the onset of regulation

THE HUGE Brent market for North Sea crude oil is this week about to catch its first whiff of regulation, and no one knows yet just how strong or malodorous it will be. The big oil companies that have dominated the market for North Sea oil have for nearly a decade enjoyed a remarkable degree of freedom - remarkable in that a \$100bn a year trading system, which provides a key indicator of the world's free market price for the most important energy resource, has been operating as a chummy, very private fraternity.

trading has served both the private interests of traders and the public interest in providing an orderly market. The market is unorganised, although contracts for forward delivery of oil have been standardised over the years, and it consists of a series of private, unreported deals among players scattered across the globe. The market is used widely for speculative and hedging purposes, with 15 to 20 contracts written for each of the 43 cargoes of oil delivered each month.

Table with 3 columns: 1987, 1988, 1989. Rows include Oil trade specialists, Japanese trade houses, New York commodity houses, Oil companies, and Total deals.

The collapse of oil prices in February 1988 caused a series of defaults in the market that weakened temporary have, but the market eventually recovered and regained liquidity with the entry of the so-called "Wall Street Bearers", the big New York commodity houses, and the increased involvement of the Japanese trading houses. The market is used widely for speculative and hedging purposes, with 15 to 20 contracts written for each of the 43 cargoes of oil delivered each month.

are all public companies and are used to a variety of disclosure requirements. The issue of whether Brent is a futures or a forward market was conceded rather early. While it technically is a forward market, since contracts call for delivery at a future date, it is used for hedging and speculation in the same manner that traders use futures contracts. This makes traders potentially subject to US legislation governing commodities futures.

Farmers' leader attacks government price cuts policy

THE BRITISH Government's current insistence on cutting farm prices as a means of reforming the European Community's Common Agricultural Policy is likely to discriminate against British farmers and will exacerbate the recent decline in their incomes, Mr Simon Gourlay, President of the National Farmers' Union, claimed yesterday.

Mr Gourlay, who was addressing the annual general meeting of the NFU, said that the Government's belief that the only sure way to cut spending on the CAP was to have big cuts in cereal prices would end in measures like the co-responsibility levy imposed on cereal producers which would be divisive and discriminatory and would discriminate against the UK. Mr Gourlay said that while the NFU accepted that the EC's surplus food production, and thus its high farm spending, should be curbed, it believed the right way to do this was through taking land out of agricultural production in so-called set-aside schemes.

Amax keeps firm hold on molybdenum market

AMAX, THE US natural resources group, is not slackening its grip on the molybdenum market even though it has decided to reduce its production capacity by about one third. Far from it, the company will still be in a position to exert strong influence on the price of molybdenum, holding it at about \$3 lb, analysts and traders have suggested.

At that level Amax, which is the world's lowest-cost primary producer with production costs in the region of \$2 lb, can be profitable while "making it very uncomfortable for other primary producers," one analyst pointed out. For example, the price would have to be substantially higher than \$3 a lb to encourage Cyprus Minerals, Amax's major rival, to increase production at its Thompson Creek, Idaho, molybdenum mine.

Operations at Kitsuut have been shut down since November 1982. Open pit operations at Kitsuut were suspended in August 1986 and underground mining suspended in March last year. Amax is to close permanently both Kitsuut and the underground operation at Kitsuut, taking a \$38m charge against 1987 earnings to cover the cost. According to the company, this will reduce capacity by about 35m lbs a year to 60m lbs.

Amsterdam drops gold relaunch plan

AMSTERDAM'S MORIBUND gold futures market, which ceased trading last December, will resume business only if enough market makers can be found. Mr R.F. Sandelowski, director of the Financial Futures Market, parent market of the gold futures exchange, said yesterday that he would try to persuade firms to make markets in the futures contracts. But he refused to be drawn on whether he expected to succeed in attracting more financial institutions, from inside or outside The Netherlands.

WEEKLY METALS PRICES

Table listing weekly prices for various metals including Aluminum, Copper, Lead, Tin, Zinc, and others, with columns for price and change.

SELENIUM: European free market, 98.5 per cent, \$ per lb, in warehouse, 9.30-9.50 (9.10-9.30). TUNGSTEN ORE: European free market, standard min 65 per cent, \$ per tonne unit (10 kg) WO3, cif, 48-53 (same). VANADIUM: European free market, min 98 per cent, \$ per tonne, 305-315 (same). MOLYBDENUM: European free market, drummed molybdenum oxide, \$ per lb, in warehouse, 3.18-3.23 (3.18-3.25).

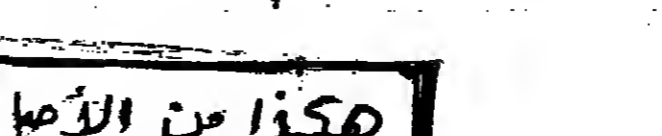
WORLD COMMODITIES PRICES

LONDON MARKETS table listing prices for various commodities like Cocoa, Coffee, Sugar, and other goods.

LONDON METAL EXCHANGE table listing prices for metals like Aluminum, Copper, Lead, Tin, Zinc, and others.

US MARKETS table listing prices for commodities like Sugar, Wheat, and other goods.

Chicago table listing prices for commodities like Soybeans, Corn, and other goods.



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound at four-month low

THOUGHTS OF another rise in UK base rates were not enough to stop the pound from slipping to a four-month low in currency markets yesterday.

However some analysts did not envisage a cut in the discount rate. Large amounts of liquidity had been pumped into the market after last October's crash and there was plenty still left in the market.

and there seemed little chance of much change ahead of Friday's release of US trade figures for December.

FINANCIAL FUTURES

Gilts nervous despite recovery

IT WAS NOT immediately obvious in life markets yesterday, exactly what Chancellor Nigel Lawson meant by yesterday's remark, after a meeting of finance ministers in Brussels.

Trading earlier in the day showed some signs of the hangover caused by Monday's hectic activity. The possibilities of an early rise in UK base rates were a little more clouded.

Long term gilt prices were also firmer, opening at 118.05 for March delivery and closing just one tick off the day's high at 118.27, up from 117.29 on Monday.

£ IN NEW YORK

Table with 3 columns: Feb 9, Latest, Previous. Rows for 2 spot, 1 month, 3 months, 12 months.

STERLING INDEX

Table with 3 columns: Feb 9, Latest, Previous. Rows for 0.20, 0.30, 0.40, 0.50, 1.00, 2.00, 3.00, 4.00.

CURRENCY RATES

Table with 4 columns: Country, Rate, Special Drawing Rights, Currents Currency Unit.

CURRENCY MOVEMENTS

Table with 4 columns: Country, Bank of England, Morgan Stanley, Change %.

OTHER CURRENCIES

Table with 4 columns: Country, Rate, Special Drawing Rights, Currents Currency Unit.

EMS EUROPEAN CURRENCY UNIT RATES

Table with 5 columns: Country, Unit, Rate, % Change, % Change.

POUND SPOT - FORWARD AGAINST THE POUND

Table with 5 columns: Country, Day's, Close, One month, % Change.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with 5 columns: Country, Day's, Close, One month, % Change.

EURO-CURRENCY INTEREST RATES

Table with 5 columns: Country, Short term, 7 Day, One Month, Three Months, Six Months, One Year.

EXCHANGE CROSS RATES

Table with 10 columns: Country, Rate, Rate, Rate, Rate, Rate, Rate, Rate, Rate, Rate.

MONEY MARKETS

Slightly easier tone

THE SHARP wind that blew through the London money market on Monday showed signs of abating yesterday.

Three-month interbank money was lower at 9 1/4-9 1/2 p.c. compared with 9 1/4-9 1/2 p.c. while the one year rate slipped to 9 1/4-9 1/2 p.c.

FT LONDON INTERBANK FIXING

Table with 2 columns: 3 months US dollars, 6 months US dollars.

MONEY RATES

Table with 2 columns: NEW YORK, LONDON.

LONDON MONEY RATES

Table with 5 columns: Country, Overnight, 7 Day, One Month, Three Months, Six Months, One Year.

UK clearing bank has

Once again discount houses were keen to unload longer dated paper, which accounted for the fall in the market.

Commercial banks holdings

Commercial banks holdings with the central bank fell to DM51.1bn at the end of last week compared with an expected minimum reserve requirement of nearer DM45bn.

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FTC Holdings has acquired THE MARKETFORCE GROUP PLC and has issued 6,426,708 6% Cumulative Convertible Redeemable Preference Shares 1997/9 at a price of £1 each

EUROPEAN OPTIONS EXCHANGE

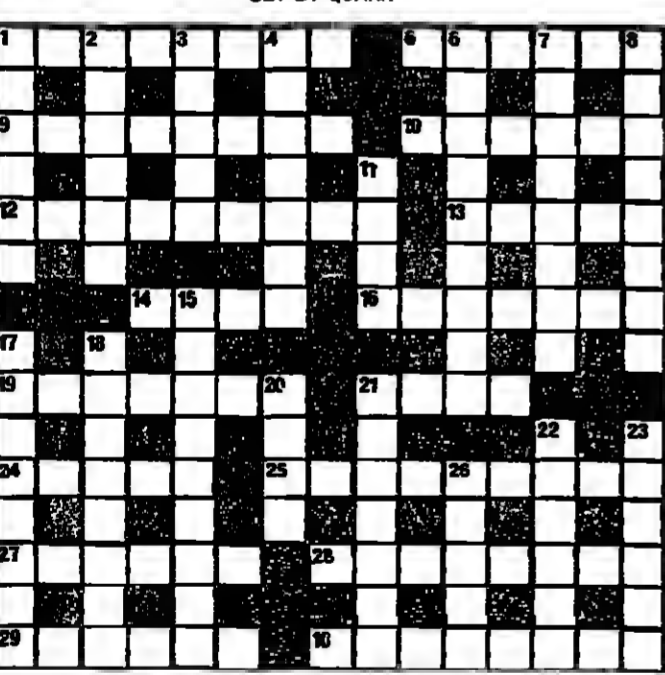
Table with columns for Series, Bid, Ask, and various market data for European options exchange.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions, including AIB Bank, Abbey National, and others.

The London Motor Conference - Manufacturing, Components and the Aftermarket. London - 15 February, 1988.

FT CROSSWORD No.6,552 SET BY QUARK



ACROSS
1 Where are you going in old Rome? (3,5)
5 ...being British abroad, going back? (6)
9 Having a pound in rocky coast? Mining could be (4,4)
10 Side view (6)
12 Put faith in the act that conveys property (5,4)
13 Middlesex, I learn, in part is cut off (6)
14 Greek I had in the frame (4)
16 The Royal Engineers merit refurbished galley? (7)
19 Description of finely woven articles that shine out in this paper (7)
21 What could be called left off polish? (4)
24 English - a light for all? (5)
25 Run off hastily in an informal way (9)
27 A day with the car and one gets cattle to market (6)
28 Locate exactly a trifling thing (6)
29 One associated with a Twist (6)
30 Animal disease caused by a fluke (6-3)
DOWN
1 Game leaves ring inside (6)
2 The mark of something corrupt (6)
3 Change coats for the races (6)
4 'Tad's in a... in a tizzy, acting as substitute (7)

AUTHORISED UNIT TRUSTS

Table listing authorized unit trusts, including names like Abbey Unit Trusts, Abbey National, and various investment funds.

Large table titled FT UNIT TRUST INFORMATION SERVICE, providing detailed information on various unit trusts, including names, managers, and performance data.

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FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 10/11/88

Main table containing financial data for various unit trusts, organized by company and fund name. Includes columns for fund names, values, and percentages.

INSURANCES

Table listing insurance companies and their respective unit trusts, including details like fund names and values.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various fund categories such as 'Prudential Assurance Co Ltd', 'Royal Heritage Life Assurance Ltd', 'Scottish Life Assurance Co Ltd', 'Sun Life of Canada', 'TNT Life Ltd', 'Windsor Life Assurance Co Ltd', and 'Ward Life Assurance Co Ltd'. Each entry includes the fund name, its investment focus, and numerical data.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas unit trusts, including fund names like 'Aberdeen Global Investment Fund', 'CAL Investments (UK) Ltd', and 'CIBC Financial Management Ltd', along with their respective details.

MANAGEMENT SERVICES

Table listing management services provided by various firms, including 'David M. Auer (Personal Fin. Pln.) Ltd', 'The Analytic Group PLC', and 'Alliance Financial Services Ltd'.

Handwritten text at the bottom center of the page, possibly a signature or date: '10/2/88'.

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts such as The French Pension Fund, Prudential Fund Limited, and others, with columns for name, manager, and performance data.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, and Money Market Trust Funds, with columns for fund name, price, and performance.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and roads companies (continued) with columns for stock name, price, and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for stock name, price, and change.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies (continued) with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical companies with columns for stock name, price, and change.

ENGINEERING - Contd

Table listing engineering companies with columns for stock name, price, and change.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for stock name, price, and change.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial companies (continued) with columns for stock name, price, and change.

INSURANCES

Table listing insurance companies with columns for stock name, price, and change.

INDUSTRIALS (Miscel.) - Contd

Table listing miscellaneous industrial companies (continued) with columns for stock name, price, and change.

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Handwritten note: "No 11/10/88"

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices, including News International, Reed International, and others.

TEXTILES - Contd

Table listing textile companies and their share prices, including British Textiles, Millers Textiles, and others.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies and their share prices, including British Land, National Westminster, and others.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including British Petroleum, Shell, and others.

MINES - Contd

Table listing mining companies and their share prices, including Anglo American, De Beers, and others.

LEISURE

Table listing leisure companies and their share prices, including British Skyways, British Airways, and others.

PROPERTY

Table listing property companies and their share prices, including British Land, National Westminster, and others.

TOBACCO

Table listing tobacco companies and their share prices, including British American Tobacco, J. R. Hambro, and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices, including British Land, National Westminster, and others.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

THIRD MARKET

Table listing third market companies and their share prices, including Anglo American, De Beers, and others.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices, including British Airways, British Skyways, and others.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including British Airways, British Skyways, and others.

FINANCE, LAND, ETC

Table listing finance, land, and other companies and their share prices, including British Land, National Westminster, and others.

PLANTATIONS

Table listing plantation companies and their share prices, including Anglo Siam, Anglo Japanese, and others.

MINES

Table listing mining companies and their share prices, including Anglo American, De Beers, and others.

NOTES

Notes section providing additional information and disclaimers regarding the share prices and market data.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices, including News International, Reed International, and others.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices, including News International, Reed International, and others.

SHIPPING

Table listing shipping companies and their share prices, including British Airways, British Skyways, and others.

OIL AND GAS

Table listing oil and gas companies and their share prices, including British Petroleum, Shell, and others.

FINANCE

Table listing finance companies and their share prices, including British Land, National Westminster, and others.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices, including Anglo American, De Beers, and others.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices, including British Airways, British Skyways, and others.

SOUTH AFRICANS

Table listing South African companies and their share prices, including Anglo American, De Beers, and others.

TEXTILES

Table listing textile companies and their share prices, including British Textiles, Millers Textiles, and others.

TRADITIONAL OPTIONS

Table listing traditional options and their share prices, including Anglo American, De Beers, and others.

FINANCE

Table listing finance companies and their share prices, including British Land, National Westminster, and others.

IRISH

Table listing Irish companies and their share prices, including Anglo American, De Beers, and others.

LONDON STOCK EXCHANGE

Government bonds stage good rally and equity prices advance in thin turnover

Account Dealing Dates... THE UK SECURITIES markets yesterday staged a not-unexpected rally from the shakeout of the previous session...

However, large areas of the market, particularly in the Beta and Gamma rated stocks saw little turnover, and analysts continue to believe that equities could be tested again if turnover remains so poor...

FINANCIAL TIMES STOCK INDICES table with columns for various indices like Government Securities, Fixed Interest, Ordinary V, Gold Mines, etc., and their values for Feb 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 28, 27, 26, 25, 24, 23, 22, 21, 20, 19, 18, 17, 16, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1987/88, and Stock Composition.

Day's High 1361.0 Day's low 1353.4... LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

up 3 to 41p. BHP Industries improved 5 to 26p on a turnover of about 1.7m shares as Barclays De Zoete Wedd (BZW) took a bullish view of the company's prospects...

Equipment came back 5 to 12p but Perry rebounded 15 to 20p and H & J Quick rallied 5 to 23p. Lucas Industries steadied at 68p after news of three overseas acquisitions designed to strengthen the group's presence in the electronic measurement and control field...

FT - ACTUARIES INDICES

Table of FT - Actuaries Indices showing various equity groups and sub-sections with their respective values and changes.

FIXED INTEREST

Table of Fixed Interest rates for various terms and types of securities.

LONDON TRADED OPTIONS

Table of London Traded Options for various stocks, showing call and put option prices.

NEW HIGHS AND LOWS FOR 1987/88

Table of New Highs and Lows for 1987/88 for various stocks.

RISES AND FALLS YESTERDAY

Table of Rises and Falls Yesterday for various stock categories.

FIXED INTEREST ISSUES

Table of Fixed Interest Issues for various bonds.

EQUITIES

Table of Equities for various stocks.

Vertical text on the right edge of the page, likely a continuation of the main article or a sidebar.

WORLD STOCK MARKETS

Handwritten note: 'WPI no 1120'

Table of world stock markets including sections for FRANCE, GERMANY, SWITZERLAND, SWEDEN, CANADA, AUSTRALIA, JAPAN, and SOUTH AFRICA. Each section lists various stocks with their prices and percentage changes.

Table of Canadian stock markets including sections for TORONTO and MONTREAL. It lists various stocks with their prices and percentage changes.

Table of Japanese stock markets listing various companies and their stock prices.

Table of Australian stock markets listing various companies and their stock prices.

Table of stock indices including NEW YORK DOW JONES, NEW YORK ACTIVE STOCKS, and CANADA. It provides summary statistics for these indices.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various stocks.

Table titled 'CHIEF LONDON PRICE CHANGES YESTERDAY' showing price changes for various commodities and currencies.

Table titled 'N. AMERICAN QUARTERLY RESULTS' providing financial performance data for various North American companies.

Advertisement for 'Have your FT. hand delivered...' featuring the FT logo and contact information for Lisboa 887844.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and changes. Includes sub-sections like 'D D D', 'C C C', and 'H H H'.

Continued on Page 43

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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include 12 Month High/Low, Stock, Div. Yr., P/E, 52 Week High/Low, and Close. Includes sub-sections for Continued from Page 42 and various stock listings.

Table of AMEX Composite Closing Prices. Columns include Stock, Div. Yr., P/E, 52 Week High/Low, and Close. Includes sub-sections for Continued from Page 42 and various stock listings.

OVER-THE-COUNTER

Table of Over-the-Counter Nasdaq national market closing prices. Columns include Stock, Sales, High, Low, Last, and Change. Includes sub-sections for various stock listings.

Advertisement for 'Travelling on Business to Athens?' featuring the Hotel Grand Bretagne and Hilton Hotel. Text includes 'Enjoy reading your complimentary copy of the Financial Times when you're staying... at the Hotel!' and 'FINANCIAL TIMES Europe's Business Newspaper'.

AMERICA

Dow puts on late spurt to break run of losses

Wall Street

AFTER FALLING for four successive sessions, the equity market yesterday put on a late spurt to break the run of losses...

FOMC meets. Many participants in the bond market have become convinced that the Fed must ease monetary policy...

Canada. MANY INVESTORS stayed on the sidelines in Toronto waiting for the release of December U.S. trade figures...

Brussels tumbles as bid euphoria fades

"IT'S A BIT like the Tour de France - and at this stage I think we're about half way through"...

Like a cyclist faltering on a bit of tough mountain terrain, the Brussels bourse plunged sharply in early trading yesterday...

General Motors, which yesterday reported fourth quarter net income of \$2.36 per share...

Insurance stocks were under pressure on reports that First Boston had lowered its investment ratings on three issues...

rated in a wave of selling. The supermarket group GE-Inno BM fell 18 per cent...

Profit-taking by foreign investors appears to have been partly to blame - the market as a whole has risen no less than 20 per cent...

most of a loss to explain the sudden change of sentiment in a hitherto buoyant environment.

While there is a widespread feeling that the bourse is set for a major tumble when the Societe Generale saga is complete, it may be premature to conclude that the excitement is new over...

Closing indices were not available as bourse trading hours were extended to cope with the heavy volume of activity.

One stockbroker reported "quite active" off-bourse trading in the morning - suggesting perhaps that the main camps and their allies are still picking up uncommitted blocs...

EUROPE

Trade data caution curbs activity

London

A WELCOME rally in UK equities following Monday's sharp fall was led by recoveries in internationalists such as Glaxo, Shell and Unilever.

ICI was in better shape as worries over a rights issue receded, and Renters, at FF1.568 after touching a high of FF1.350...

Bond prices eased in quiet trading as they tracked US Treasury bonds lower. The Bundesbank bought DM11.7m of paper after selling DM82.5m on Monday.

FRANKFURT saw a second day of profit-taking which left share prices lower after an active session. The CAC index shed 5.2 to 271.2...

whose trading figures are due, regained some ground after recent weakness indicative of the shakeout in the global securities business.

VOLUME, however, remained very low. The FT-SE 100 index climbed above the 1,700 level to end 12.7 higher at 1,707.2.

AMSTERDAM was little changed after a lacklustre session, enlivened only by domestic interest in publishing stocks. The ANP-CBS index slipped 0.4 to 218 in merger takeover trading.

STOCKHOLM fell as profit-taking got the market off to a weak start and investors decided to wait for Friday's US trade data before taking new positions. The Affarsvarlden general index lost 8.9 to 749.0.

SOUTH AFRICA

A RISE in the financial rand and a further weakening in the bullion price left gold stocks in Johannesburg easier after a day of quiet and featureless trading.

Among leading golds, Vaal Reef eased R1.50 to close at R265.50 and South Vaal lost 60 cents to R118.50.

selected shares, but volumes were very small. Driefontein gained 50 cents to R33, Ergo also put on 50 cents to R15 and Kinross was up R1 at R24.

In mining houses Anglo American remained steady at R46 but Gencor shed 25 cents to close at R42.50. Diamond share De Beers slid 75 cents to R23.50.

Industrial ended narrowly mixed in quiet trading. Sontex African Breweries edged up 10 cents to R16.10, but Barlow Rand eased 10 cents to R17.75.

ASIA

Wary investors take profits after falls overseas

Tokyo

OVERNIGHT falls in New York and London kept institutional investors on the sidelines in Tokyo yesterday and shares met profit-taking from the start of the session...

The Nikkei stock average ended 109.33 lower at 23,662.27 in this turnover of 418m shares. Declines outnumbered advances by 615 to 278, with 149 issues unchanged.

Leading brokerage houses saw no large lot buy orders, but smaller securities companies were busy with speculators orders for small and medium-sized issues.

There was interest in general contractors which had won large contracts from the Tokyo Metropolitan Government. Taisai advanced Y19 to Y906, while Kajima gained Y20 to Y1,450.

Kobe Steel was the most heavily traded issue on a volume of 20.45m shares and climbed Y5 to Y305. Nippon Steel was also actively traded and added Y1 to Y288.

performances on overseas markets the previous day and forecasts of a further fall in the bullion price depressed mining stocks, leaving share prices sharply weaker in Sydney.

The All Ordinaries index fell 22.5, or 1.8 per cent, to 1,180.6 while the gold miner dropped 34.2, or 2.4 per cent, to 1,374.8, its lowest level since September 1986.

Among miners, Renison lost 50 cents to A86.40, Metana gave up 40 cents to A86.10, Bongailville fell 15 cents to A82.75 and Western Mining Developers, media and food stocks were the worst hit among industrials.

NEWSPAPERS: News Corp lost 80 cents to A810.40 and Land Lease fell 35 cents to A811.10.

SINGAPORE. WARY players continued their sell-off discouraged by a lower Wall Street and the fall in Tokyo. Concern over the political uncertainty in Malaysia and the residual worries over the US Government's withdrawal of duty-free trading privileges also depressed activity.

The Straits Times industrial index lost 7.40 to 851.82 in a very subdued market with few buyers to be seen. Price changes were generally narrow although some blue chips posted double-digit falls. Metro dropped 30 cents to S85.20 and DBS lost 15 cents to S89.10.

HONG KONG. A SUSTAINED sell-off by foreign institutional investors erased early, modest gains made on bargain-hunting and short-covering and share prices ended mixed with an easier bias. The Hang Seng index slipped 0.52 to 2,223.04.

Banks managed some modest gains while property and commodities shares ended narrowly mixed.

Australia

JITTERY investors maintained their selling pressure after poor

Kenneth Gooding considers how much further mining shares may have to fall

Counting the cost of the gold price plunge

"INSTITUTIONAL INVESTORS know just how much they have lost on their gold mining shares. They don't need to be reminded of it again"...



that when the price of bullion was last at \$380-\$400 - between November 1986 and February last year - the average index level for gold stocks were higher than today. For example, the FT & Gold Mines Index averaged 461 against 437 last Monday (beving come down from a 1987 peak of 800).

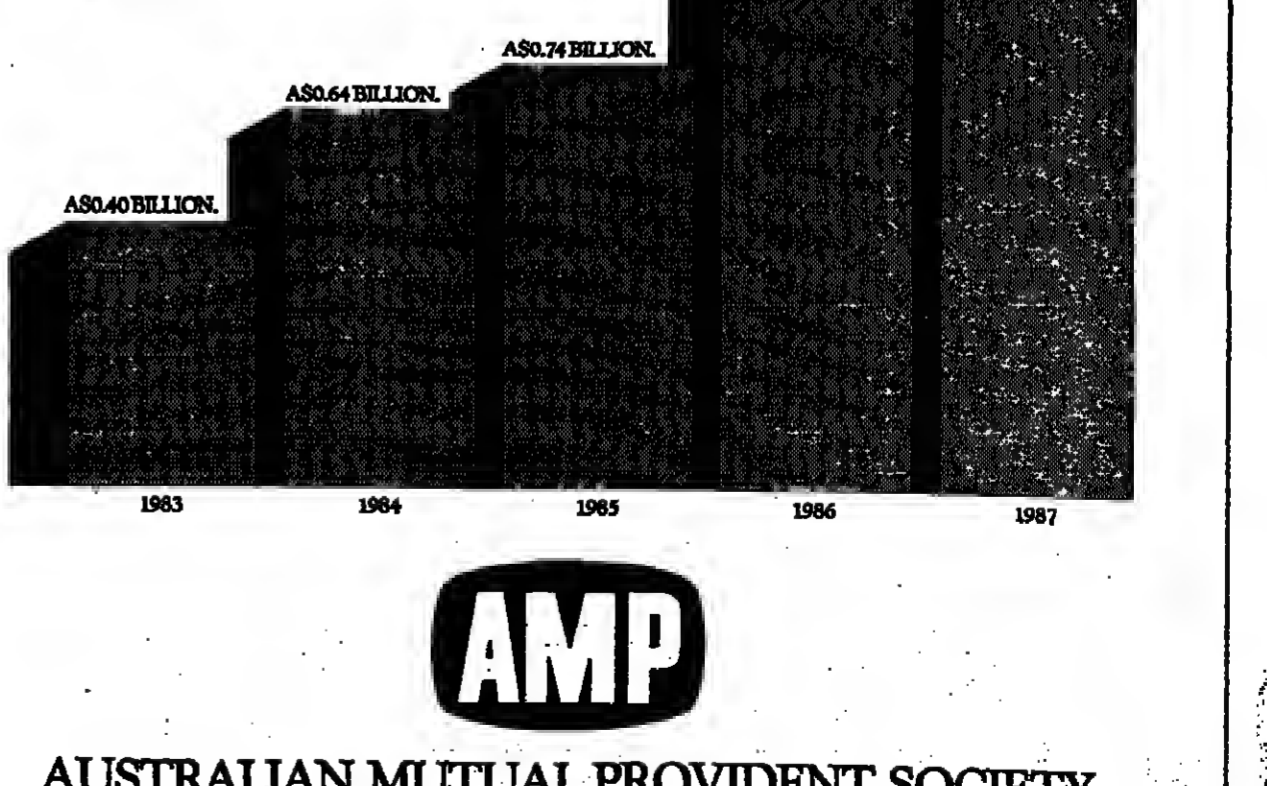
"We conclude that both the price and gold shares have fallen to fair" he adds. Kleinwort's "target" level for the FT & Gold Mines Index is 300, indicating another big fall in the average price of gold equities.

Mr Julian Baring, analyst at James Capel, approaches the same problem in a similar way. What if gold bullion should fall to \$300 an ounce, at which level it has found support in the past? he asks.

AN OUTSTANDING SALES SUCCESS

105% increase in AMP new premium income

In the latest of a long run of records for AMP, the life insurance market leader in Australia, 1987 saw new worldwide premium income from sales more than double the previous year's record to A\$2.67 billion.



AUSTRALIAN MUTUAL PROVIDENT SOCIETY.

FT - ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Tuesday February 9 1988, Monday February 8 1988, and Dollar Index. It lists various global indices such as Australia (95.76), Austria (68.08), Belgium (122.50), Canada (108.87), Denmark (114.52), Finland (120.56), France (78.26), West Germany (69.90), Hong Kong (85.06), Ireland (107.17), Italy (62.99), Japan (148.20), Malaysia (61.83), Mexico (137.94), Netherlands (96.79), New Zealand (67.31), Norway (98.35), Singapore (98.94), South Africa (61.72), Spain (134.41), Sweden (95.87), Switzerland (77.14), United Kingdom (123.36), USA (102.78), Europe (96.76), Pacific Basin (143.57), Euro-Pacific (124.97), North America (103.10), Europe Ex. UK (80.66), Pacific Ex. Japan (87.67), World Ex. US (125.51), World Ex. Japan (115.28), World Ex. So. Am. (123.76), World Ex. Japan (124.97).

Source: Data as of 11.00 PM on Feb 10, 1988. Figures are in US \$ terms. Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co., Ltd. 1987. All rights reserved. Reproduction in whole or in part is prohibited.

Handwritten Arabic text: 1350 من الاصل

Handwritten text: 1988

SECTION IV

FINANCIAL TIMES SURVEY



Demand for four-wheel drive vehicles is increasing almost throughout the world, with growth led by cars

intended for use on the highway. Fierce competition is already bringing down costs in the cars sector, as John Griffiths reports.

Race to sell new models

"THERE IS no sign of the trend slowing down. If anything, our forecast could even prove conservative."

The comment, from Mr John May, of vehicle market analysts Automotive Industry Data, sums up the continuing rapid growth of four-wheel drive vehicle sales in Western Europe, led by passenger cars intended for highway use only.

Nine years ago, four-wheel drive sales in the region totalled 65,000, almost all of them vehicles of the utility type for off-road use typified by the Land Rover.

While statistics have yet to become available for all of 1987, Mr May is confident that sales well exceeded the 340,000 vehicles sold in 1986, about half of which were passenger cars in that year.

Firm pointers to this being the case are provided by trends in four of Western Europe's main markets. In the first nine months of last year, 4WD registrations in France rose by almost 20.3 per cent, compared with the same period a year previously, to 25,815 units; in the UK there was a 12.6 per cent increase in the first 10 months, to 41,435; in Italy a near-doubling in the first half to 31,100, and in West Germany a 10 per cent rise in the first nine months to 72,745.

over two years ago, that by 1991 West European 4WD sales will reach almost 800,000 units, of which about 60 per cent will be passenger cars.

The proportion of total 4WD sales taken by car types continues to increase, and is now moving towards the 45 per cent level, compared with 41.2 per cent in 1986 and 40.5 per cent the year previously.

This trend is being encouraged by a number of factors. One is that manufacturers are falling over themselves to become well represented in this sector of the market. Thus there has been a proliferation of new models in the past 12 months offering the 4WD option, and there are many more in the pipeline.

As ever, Japanese manufacturers have been making most of the running in the 4WD passenger car sector, with all wheel-drive on course for being offered as a version on every significant model range.

These include even relatively low-cost models such as the Nissan Sunny and embrace other Japanese cars like Toyota's Camry and Corolla, Mazda 626 and Honda Shuttle.

Among European producers, Audi/Volkswagen has long been present in the 4WD car market; its pioneering Quattro of the early 1980s was the forerunner of a complete range of Audi 4WD models. Otherwise,



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Picture: the Renault Espace Quadra, latest version of the Matra-built "people carrier."

Four-wheel Drive

Europe has been relatively slow to respond - but is now fighting back hard.

Among the European 4WD newcomers are the Renault Espace Quadra, a version of the French producer's "people carrier" manufactured jointly with aerospace giant Matra, launched only last month.

Shortly, Renault is also expected to announce a permanent 4WD system for its 21 estate car, followed by versions of the 21 saloons.

The Peugeot group is expected to offer 4WD versions of its new 405 saloon later this year, while Opel, Lancia, Fiat, Ford and other volume producers are travelling rapidly down the same route.

Another factor is that costs of 4WD systems are starting to come down as economies of scale in production begin to take effect. Precise comparisons of the on-cost to the consumer remain difficult, because of a tendency to link 4WD with particularly high specifications for the rest of the vehicle compared to two-wheel drive counterparts. However, the approximately

20-25 per cent premium still commanded is expected to continue to fall from levels of about 30 per cent a year ago to around 10 per cent by the early 1990s.

To some extent, however, the precise premium will be governed by the complexity of each individual system. For example, the application of traction control to 4WD systems on more sophisticated models could be expected to remain an expensive feature for the foreseeable future.

Electronically-based, the working of traction control can best be compared to anti-lock braking in reverse in that it prevents the wheels losing grip and spinning under fierce acceleration.

There is also no sign, so far at least, of would-be buyers being put off by the complexities of all-wheel drive in terms of their potential operating costs.

This is an area of potentially major concern. All 4WD systems are complex and could be expensive to repair. However, their durability and reliability record so far appears to be good.

The situation with utility and sports all-wheel drive vehicles - those not based on cars - is slightly different.

Here growth rates are much less pronounced, with the exception of some individual models which have become cult vehicles, like the Suzuki SJ 410, the small Jeep-type vehicle now built at the Land Rover Santana plant in Spain as well as imported from Japan.

In some ways, this should not be too surprising, since the sector has a far longer history than that of 4WD cars. Indeed, the UK-produced Land Rover, an off-road "work horse" to much of the world, this year celebrates its 40th birthday - though in vastly different form.

The Land Rover is pre-dated by the true Jeep, now produced by American Motors Corporation, the name of which - much to the company's irritation - has tended to become a general term for a host of, mainly Japanese, imitators.

For both American Motors and Land Rover, the UK State-owned manufacturing concern, these are months in which the great changes sweeping

through the industry stand to be keenly felt.

For financially-troubled American Motors, last autumn was a watershed. It was then that its shareholders approved a buy-out by Chrysler Corporation, the US third-largest vehicle maker, for some \$1.6bn.

It was the biggest merger in US motor industry history and entailed, also, the withdrawal of Renault - which had a 45 per cent stake - from carmaking in North America.

The deal was particularly important in terms of the world all-wheel drive market because it gave Chrysler a stroke the presence it had been planning to develop on its own in the sector.

What becomes its Jeep Eagle division will now concentrate on building on American Motors' already strong presence in all-wheel drive markets. Chrysler envisages Jeep sales of at least 225,000 units a year.

European markets are certain to feel the effects of the takeover, because the weakening of the dollar has made Europe an exceptionally attractive region for a US export drive at a time

when the strength of the yen is causing mounting difficulties for Japanese 4WD producers.

This year stands to be a watershed, also, for Land Rover because options are shortly to be set out about its potential future ownership. Mr Graham Day, chairman of the parent Rover Group, has said that in the first half of this year he will deliver to Lord Young, the UK's Trade and Industry Secretary, his view of the various options open to the Government on the privatisation of both Land Rover and the Austin Rover cars group.

Mr Day so far has given no indication of his thinking as to whether - at one end of the spectrum - a flotation is possible, or whether a sale to, or merger with, another vehicle group is possible at the other.

Land Rover, as a company, is still making modest profits. This year it is also benefiting from the launch, last March, of its luxury Range Rover 4WD vehicle in the US, where it is on course to meet its target of 3,000 sales in the first year.

However, the exceptionally competitive nature of the util-

ity market in the 4WD sector is exemplified by the fate of the Land Rover vehicle itself. For the first time ever, production of the Land Rover was overtaken last year by the Range Rover, and sales worldwide slipped to just under 20,000 - not much more than a third of the peak achieved more than a decade ago.

The problem is not so much with the Land Rover itself, as with the way in which the market has been fragmented by a plethora of Japanese products.

These range from the Nissan Patrol, produced at Nissan's 80 per cent owned Nissan Motor Iberica subsidiary in Spain (and thus free of controls on Japanese imports), down through a progressively smaller range of vehicles like Daihatsu's Four-Trak to the diminutive Suzuki SJ 410 which, like the Patrol, is classified as being of European origin and thus also not subject to import restraints.

There is nothing on the horizon to indicate that conditions will become any easier for Land Rover or any other producer in the sector, including companies such as Steyr-Daimler-Puch of Austria, which makes the Mercedes G-wagen, for the pressure from Japanese manufacturers continues to be relentless.

At the end of last year, for example, Nissan introduced an all-new version of the Patrol in Japan, where it is called the Safari.

Meanwhile Isuzu, in which General Motors has a 40 per cent stake, has just launched heavily-revised models of its Trooper range.

For Japanese producers no less than their US domestic competitors, it is the North American market which remains the major battleground. It is not hard to see why. Total demand in the US crossed the 1m units a year threshold at the end of the 1970s and has stayed there ever since.

First triggered by an extraordinary upsurge in demand for recreational 4WD machines, there is no sign of the demand diminishing. In contrast, despite the severe weather experienced in the northern US, sales of passenger cars using 4WD are still in their relative infancy, at little over 10 per cent of the total.



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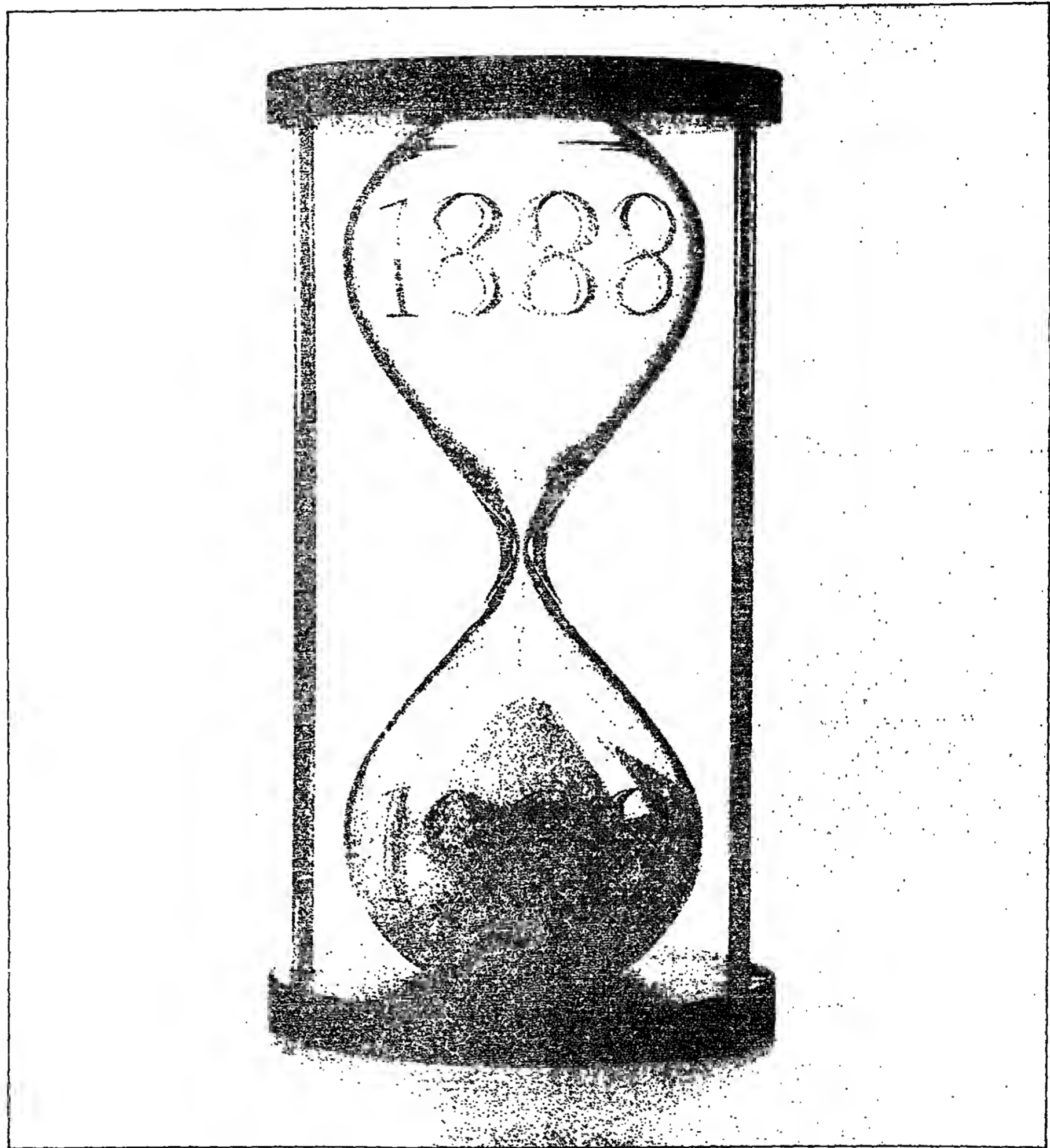


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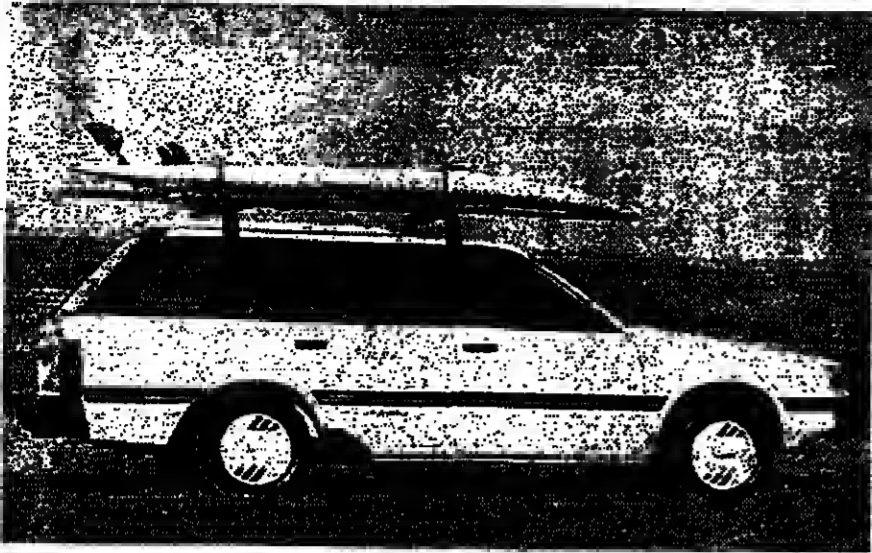
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Monday, 15th February 1988



FINANCIAL TIMES
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FOUR-WHEEL DRIVE 3



Ian Robertson on the rising sales of all-wheel drive cars

High demand in Europe

ACROSS EUROPE, sales of four-wheel drive passenger vehicles rose in 1986 to account for a 3 per cent market share. Of this figure 1.7 per cent consisted of off-road models with the balance - just over 150,000 units - comprising all-drive saloon cars.

Although a minority sector, sales of car-based four-wheel drive models have been the focus of rapid growth recently. Since Audi's Quattro first took the stage nine years ago, sales in the sector have multiplied from under 20,000 units in 1980 to levels approaching a quarter of a million in 1987, with forecasts of more than half a million sales by 1990.

Across Europe, the demand for 4WD saloons remains consistently high. In Switzerland, the sector accounted for 14 per cent of half-year sales in 1987 (23,000 units) - up 25 per cent over the previous year.

This picture of booming demand is headed by Europe's major performance market, West Germany, where the sector exceeded 70,000 sales by September. Sales for the year are forecast at 100,000 units as additional all-drive models become available over the peak closing months of the year.

In the UK, estimates indicate sector sales approaching 50,000 units in 1987 compared with 60,000 in Italy, where four-wheel drive sales have almost doubled. From France there are reports of a 20 per

cent increase to 33,000 units for the year.

There are several reasons for this accelerated growth. The first is the emergence of lower-cost mechanical systems such as the viscous coupling arrangement employed by VW's Golf Syncro. It is compact and elegantly simple.

Where Audi's permanent 4WD Quattro systems can add between £3,600 - £4,000 to the price of completed vehicles, the on-cost for the Syncro's layout is under £1,500.

This has brought 4WD rapidly down-range and encouraged the emergence of a new market whose buyers face the intermittent threat of driving in low-friction conditions such as mud, ice or packed snow.

Its customers want all the comforts of a standard saloon and the additional price which they are prepared to pay for 4WD is strictly limited.

This is in stark contrast to the high-performance 4WD saloon sector where purchasers' priorities centre on the efficient transfer of substantial engine power across the road wheels. Here budgets are considerably more elastic.

To cater for these two sectors, European manufacturers have responded with a proliferation of new models swelling a sector previously dominated by Japan.

Ten per cent of Audi's output is currently 4WD with the third generation of this option avail-

able across the range. Following the adoption of mid-range Golf and Jetta models, VW is preparing to apply the same formula to performance versions of Golf.

Price considerations - and competition from Japan - exclude Polo. Ford's Sierra XR 4x4 currently heads Europe's all-drive saloon sector and the system has also been earmarked for future performance variants of Escort and Fiesta.

GM's forthcoming Cavalier replacement will include a 4WD option on a 140mph version scheduled for 1989. It will also appear later in the year on the new Manta Coupe.

Fiat has scooped the budget end of the market with its 4WD Panda. Other models from the group include Y10, Delta, Prisma and Alfa Romeo's 33 estate, which offers part-time manual selection. A 4WD option for top 164 models is reported to be "at least two years away."

Fiat's initial replacements for the Ritmo/Strada are to be followed up by a 2 litre 16-valve version which will offer permanent 4WD.

Peugeot is also preparing to add two all-drive variants to its new 405 range. Due in 1988, these will include a low-cost model as well as a high-performance M16 version.

In the sports sector, Jaguar recently signalled its 4WD intentions by patenting a special variable-torque system. The XJ40 is expected to be

equipped with the system by 1990 and it is also to be fitted to the future F-series model.

BMW, as well as fitting a viscous coupling arrangement on its 325i saloon and touring variants, will offer an all-drive version on its 5-series replacement.

The Munich company is also to break new barriers of technology with its new 6-series models, to appear in 1989. These will feature full-time 4WD linked, for the first time, directly to the vehicle's engine management system.

The advent of electronics is expected to herald the next major shift in the provision of traction control moving it further down across Europe's volume markets in the 1990s. It is expected to move ahead in tandem with the provision of cheaper anti-lock brake (ABS) systems.

The same electronics and systems may be employed with the provision of a road-wheel sensor linked to the engine.

At the forefront of this development is Bosch's ASR system

Far left: Subaru's 4WD Turbo Estate, latest model from the manufacturer which started the 4WD trend for ordinary cars; Above: the Volkswagen Syncro with its elegantly simple lower cost system; right: Fiat Panda, which has scooped the budget car market; and Ford's Sierra 4x4, current best seller

which has two primary features. It offers stability control by sensing wheel slip using available ABS electronics. The system then intervenes to limit engine output and the amount of torque fed through to the road wheels.

In this case the throttles are actuated electronically and override any pressure on the accelerator pedal by the driver. ASR also offers brake intervention.

If a driver shuts off acceleration suddenly on a bend, this may spin the rear wheels. Sensors detect this and operate in the opposite mode to neutralise engine braking.

The ASR system has already made its first appearance on top Mercedes models and on the catalyst version of BMW's 750L. It will be applied to non-catalyst versions in the middle of

1988 and a system is also under preparation for the 730 and 735 models.

Volvo has produced demonstration vehicles with traction control and there are reports of a replacement for Saab's 900 which will offer part-time 4WD and advanced traction control in mid-1989. So far the system is available only for rear-wheel drive cars but it has several advantages for the "marginal"

4WD customer.

It is considerably cheaper, consisting basically of a "black box" addition to existing ABS hardware. Where ABS might add £800 to the price of a vehicle, the additional on-cost for traction control would be around £200. Where a mechanical 4WD system takes up considerable valuable space, traction control requires only bolt-on electronics.

There are significant savings in weight - particularly important in the US with its weight defined taxation limits - and the heavier the car the greater the emissions problem.

It is forecast that by the mid-1990s 35 per cent of cars made in Europe will have ABS. Some producers were fitting ABS to 50 per cent of their output in 1987. Traction control could soon enjoy similar growth.

Profile: FF Developments

Long road to success



The FF board: from left: Robie Price, engineering director; Tony Rolt, chairman; John Braithwaite, managing director; Stuart Rolt, executive vice-chairman

THE ORIGINS of the technology which lies behind the current four-wheel drive boom can be traced back to the motor racing circuits of pre-Second World War Britain.

It was on the race tracks that a young racing driver, Tony Rolt, in company with engineer Freddie Dixon, first began to explore the possibility of what would lead - nearly 40 years later - to the formation of FF Developments.

And it is the work of FF Developments, based near Coventry with a staff of fewer than 60, which has been behind the emergence of 4WD versions of Ford's Sierra and Scorpio; the BMW 3-Series; and Volkswagen's Golf Syncro hatchback, among others.

The same applies in the exceptionally stressful world of motor rallying, where 4WD systems have had to cope with transmitting 500 brake horsepower or more over rough, transmission-jarring surfaces.

The world championship-winning Lancia Delta S4 and Peugeot 205 T16 rally cars were users of FF's technology, as were Ford's RS 200 and MG's Metro GEA.

To the list can be added at least three Japanese vehicle makers, Toyota, Mazda and Mitsubishi; plus General Motors, Chrysler, Fiat, Renault and even Land Rover.

Only last month, in a move likely to transform the nature of FF's operations, a "substantial" minority stake was taken by the US components maker Acustar, a 65bn a year turn-over associate company of Chrysler headed up by Chrysler chief executive (and former Ford of Europe chairman) Mr Robert Lutz.

Under the agreement, FF will provide Acustar with a range of drive systems-related

design and engineering services into which it has diversified from its early 4WD roots.

The rapid growth now being enjoyed by FF is a long way from the decision of tractor magnate Mr Harry Ferguson to back Tony Rolt's and Freddie Dixon's ideas in the immediate post-war period. In 1960 he set up Harry Ferguson Research to put 4WD development on a proper footing.

However, Dixon left the company shortly afterwards, and through the 1960s and much of the 1970s 4WD for road-going cars attracted little interest. An exception was the Jensen Interceptor FF, a luxury sports car using a Ferguson-developed 4WD system. But the production life of the car was fairly brief.

In 1971, Harry Ferguson Research wound down 4WD activities and Rolt left, accompanied by several other engineers, to form FF Developments. The parting was amicable, and FF was given a licence to develop and exploit any Ferguson patents.

These included the viscous coupling at the heart of FF's current drive systems, and which Rolt's team had only just perfected having been given the idea for it by a child's toy.

The coupling, with its ability to control the speed between two rotating shafts in a progressive manner, without sudden stresses, attracted growing interest throughout the 1970s and now, FF-based systems incorporating it have become virtually an industry standard.

Under operating conditions, the unit automatically ensures that optimum power is distributed to whichever axles, or even individual wheels, are offering most grip.

As demand has grown, so have the resources of FF to provide wider engineering services. Its activities now take in prototype development, transmissions, suspensions, axles, brakes, emissions control and chassis work.

Last year, Mr Stuart Rolt, executive vice-chairman of FF and son of its founder, set the scene for last month's shareholding move from Acustar by expanding the company's activities into North America by setting up a subsidiary in Detroit. This was to shorten the communication lines of engineering work already being undertaken for US companies.

The company recently moved into a new 30,000 sq ft plant at Cowesbury, double the size of the previous facilities.

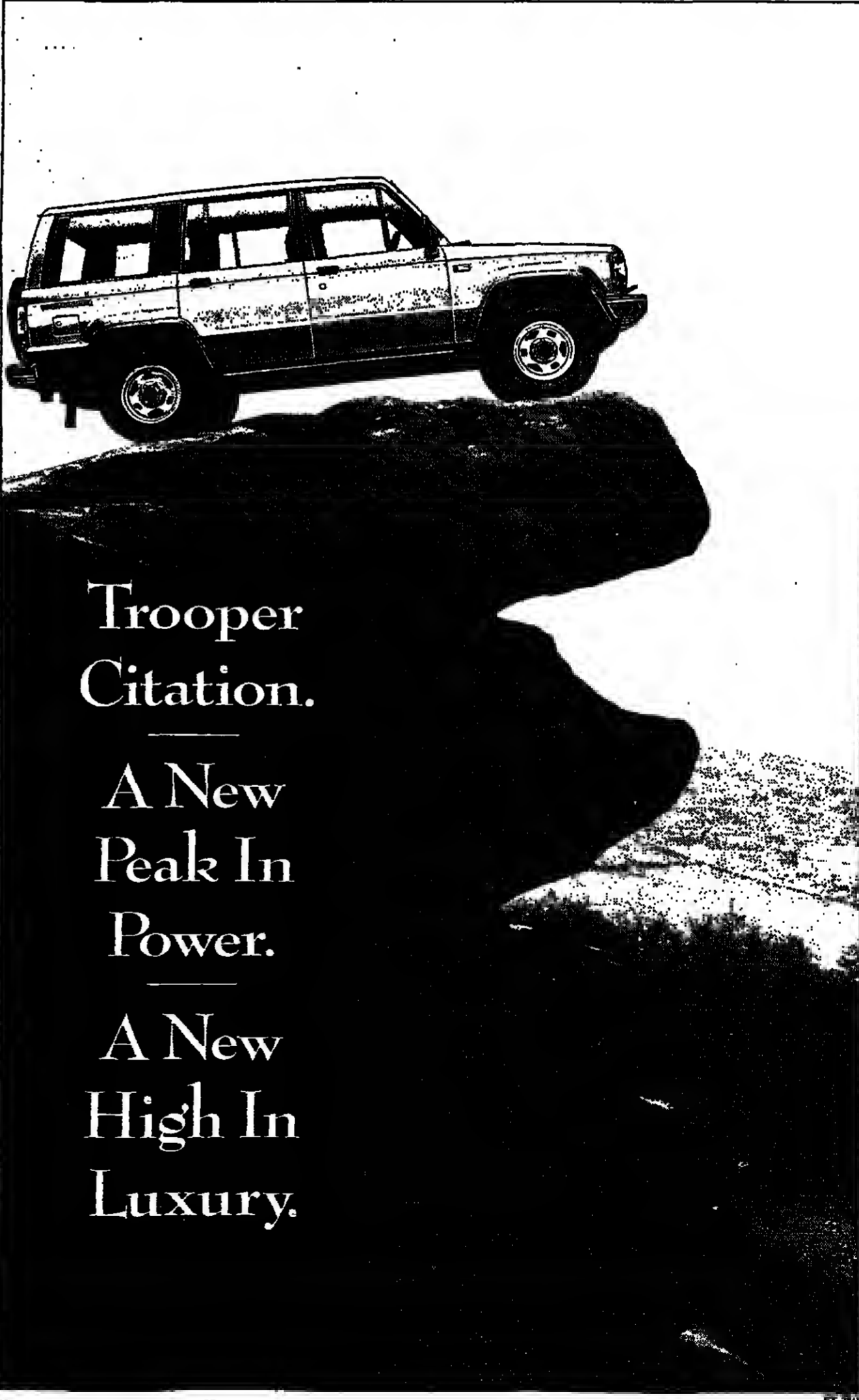
Both Stuart Rolt and Acustar's vice-president for engineered products, Mr David Hunter, refused to elaborate on the size of the shareholding being taken in FF or its value at the signing ceremony last month.

Negotiations had been going on since last summer, the eventual agreement being "certainly the most significant step the company has taken since its founding," according to Mr Rolt. However, he insisted that FF would retain its autonomy as a British company with majority British ownership.

Acustar itself has 28,000 employees and 29 plants, produces a wide range of automotive components for many companies other than Chrysler.

With its position already well-entrenched in Europe, and the new US link, FF is now looking hard at setting up shops in the toughest market of all - Japan.

John Griffiths



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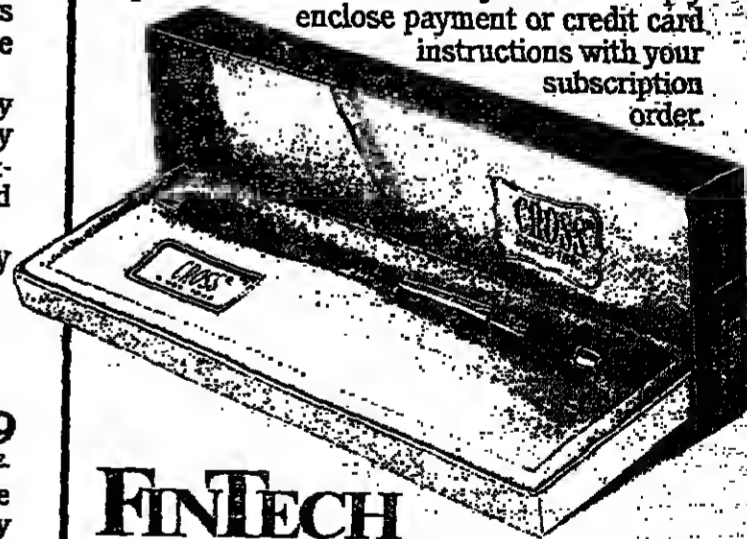
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FOUR-WHEEL DRIVE 5

US manufacturers are having to come to grips with new sales patterns, says **Dan McCosh**

Market growing in light trucks sold for personal use



The Wrangler Sahara, Jeep's latest model, echoes the original wartime utility design. Far left: the Jeep Cherokee Limited four-door, introduced in 1987, will also be offered in a two-door version

FOUR-WHEEL DRIVE light trucks were the strongest sector of an overall soft US vehicle market in 1987, the latest evidence that former passenger car owners in the US increasingly are abandoning traditional transport for vehicles originally designed strictly for commercial use.

Marketing experts call the phenomenon the "crossover" market, meaning former car owners who are buying either vans, light utility vehicles or small trucks rather than a sedan or station wagon that would have been the normal choice.

Women seem to like the short wheelbase of four-wheel drive utility vehicles - it's easier to park," says John D. Rock, general manager of GM's GMC Truck Division. "They sit up high, for good visibility, and like the four-wheel drive feature for security."

Changes in American living patterns also are fueling the trend, as new housing is built at increasing distances from major cities. In addition, there is a growing cultural phenomenon of the four-wheel drive truck or utility vehicle displacing traditional sports cars as symbols of an active, youthful lifestyle.

So far, few have been a dramatic sales success, but they are seen as an important future trend. Whether or not this tactic works remains to be seen, however. Four-wheel drive originally was developed to enhance traction and a vehicle's ability to push through snow and mud.

THERE ARE only two words in any language that don't need translation: "Jeep" and "Jeep".

into potential Jeep buyers. "We're in it for the long haul," says Robert A. Letz, Chrysler's executive vice-president for international operations.

At the launch of the new division, which will sell former AMC products under the Chrysler badge, Mr. Cappy outlined a broad marketing strategy based on the assumption that the affluent Jeep customer might also be interested in European-styled, mid-priced passenger cars.

from such vehicles, which it is calling a "crossover" market - somewhere between the traditional car and truck markets.

duplication in product lines. The result is an anticipated elimination of some vehicles.

Profile: American Motors Corporation

Yet more guises for the Jeep

The falling price of fuel has encouraged high-powered cars once again, and engineers regard four-wheel drive as necessary to handle the extra power

it goes beyond traction in inclement weather. Today's front-wheel drive cars are reaching the limits of handling with high-horsepower engines driving the front wheels only.

General Motors' Pontiac division is the newest entry to the market, planning to introduce a limited-volume, four-wheel drive version of its STE saloon this spring.



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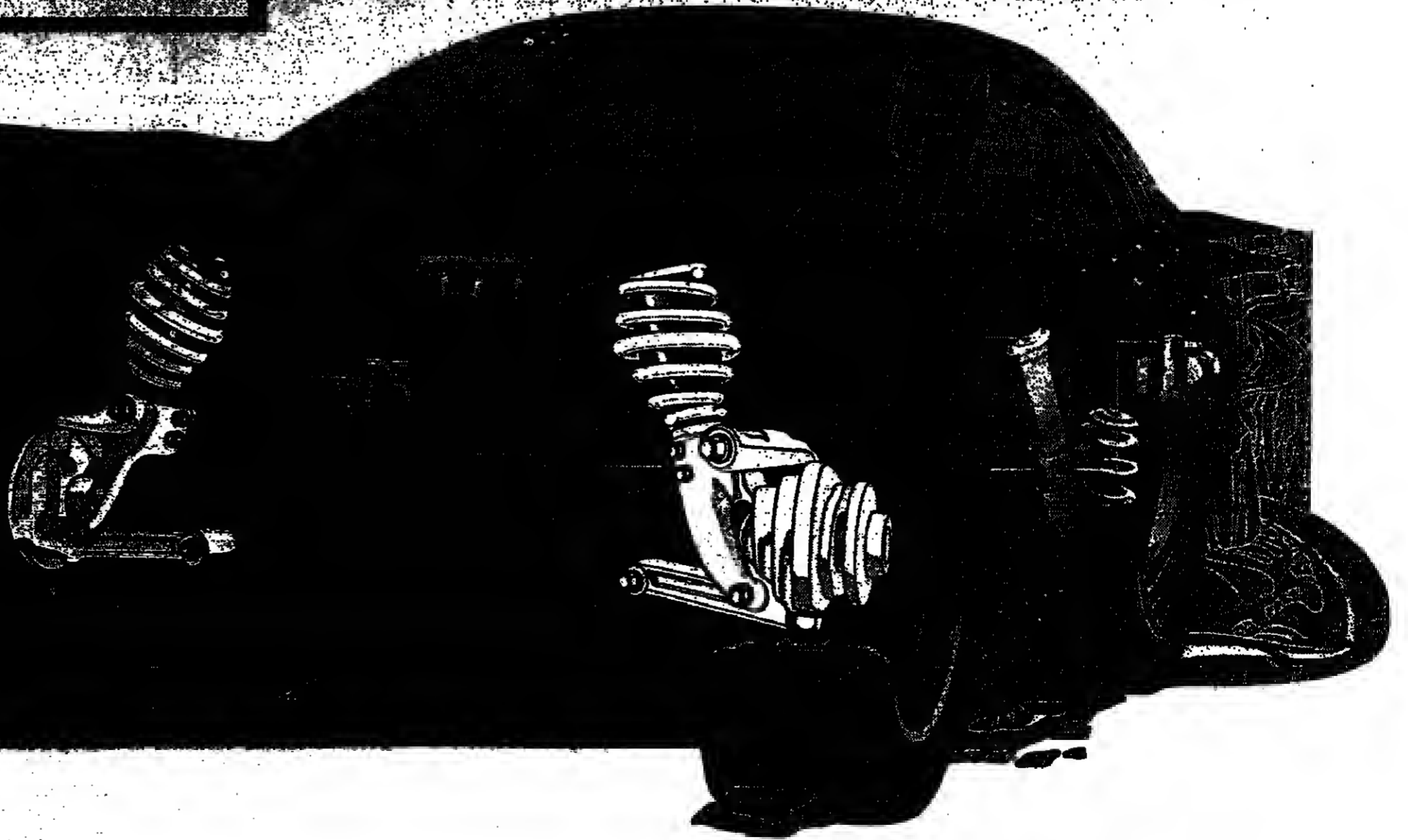
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FOUR-WHEEL DRIVE 6

All-wheel drive passenger cars are the vogue, says Sandra Earley

Makers compete fiercely in Japan

WHEN IT COMES to consumer products - from expensive cars to inexpensive home appliances - the Japanese relish the new, the fresh and the innovative.

Trendy Japanese cooks, for example, have acquired automatic bread-making machines to form the dough, control the rising and bake the bread all in one appliance.

During the same period, as devout Japanese drivers bought themselves four-wheel drive passenger cars. Four-wheel drive, spilling over from Jeep-like vehicles and trucks, to city versions has become so popular in Japan in recent years that in 1987, one standard passenger car in ten of the more than 6.7m registered had four-wheel drive.

If the vehicles the Japanese call midget cars (with up to 550cc capacity engines) are included in the statistics, then the numbers of four-wheel drive vehicles double. Half of the minis - often driven by women for errands in Tokyo's narrow, convoluted streets - have the option.

Four-wheel drive cars are a hot spot in an increasingly competitive domestic automobile industry. While overall Japanese car sales are nearly at saturation - growing only 1.7 per cent in 1986 with a similar percentage forecast for 1987, the consumer appetite remains keen for four-wheel drive vehicles.

Sales of these cars increased 10 per cent during 1986 and are expected to perform similarly in 1987.

The trend has Japan's car manufacturers stepping smartly these days to offer four-wheel drive options not only on their luxury cars but also on ordinary, high-volume models.

Toyota, for example, added the feature to its Celica line in 1986 and to the Camry, Sprinter and Vista models in 1987.

To make the four-wheel drive even tastier to the Japanese consumer, there is innovation within the industry frequently in discussions of the option.

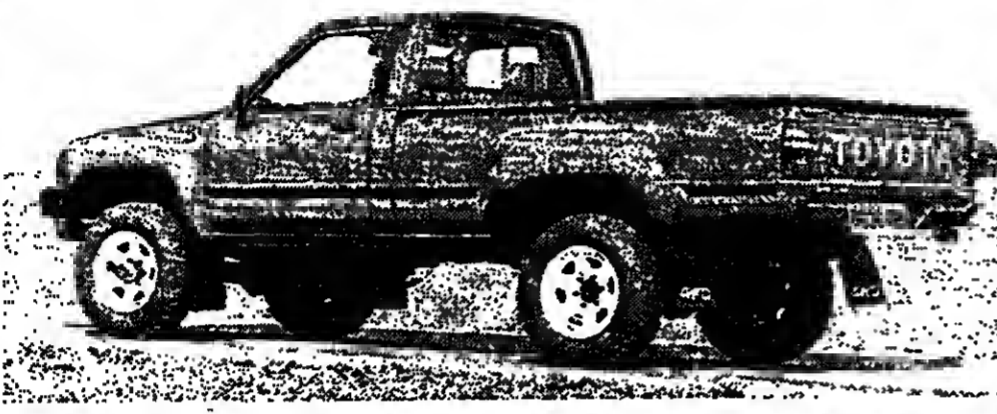
In Tokyo, streets are often steep, narrow and meandering, again appropriate for the extra control four-wheel drive can provide. The Japanese also view four-wheel drive cars as

luxurious and "sporty" an adjective used frequently in discussions of the option.

They look to Europe for the world standard for expensive, high-performance automobiles. Once BMW, Mercedes-Benz and Audi began offering four-wheel drive on their cars the Japanese could not be far behind.



Above: Isuzu's new Trooper Citation and (below) the Toyota Hilux pick-up truck



advertising them. People living in rural areas of the country buy the extra measure of safety for driving in their mountains and severe winter weather.

In Tokyo, streets are often steep, narrow and meandering, again appropriate for the extra control four-wheel drive can provide. The Japanese also view four-wheel drive cars as luxurious and "sporty" an adjective used frequently in discussions of the option.

One way to attract new customers and stay ahead of the competition is diversity in both styling and technology. "We are in severe competition to find vehicles most suitable to the individual. There still must be customers who will change cars for four-wheel drive," says a Toyota official.

The demands for diversity also shows a strength of Japanese automakers. They have long experience modifying production lines to make small batches of various models such as four-wheel drive, and using interchangeable parts among models to make them cheaply and efficiently.

Changes in their own lifestyles, too, feed an interest in four-wheel drive cars. Young Japanese who in past generations lived to work are beginning to mix play into the day. An interest in outdoor activities, particularly camping, is growing in the country.

Four-wheel drive cars also have a part in the latest drama to unfold within the Japanese car industry. Trade restrictions coupled with the increasing strength of the Yen are forcing carmakers to concentrate on the domestic market rather than export. But domestic sales are near saturation, and predictions are that the market cannot long support nine car manufacturers.

for four-wheel drive cars appears to be expanding, the outlook for export of the vehicles is cloudy at present, the waters stirred, as with all automobile manufacturing, by trade restrictions and the strength of the Yen. Four-wheel drive vehicles have been a particular focus of political pressure in the US since some Japanese manufacturers have skirted the voluntary trade restrictions with them.

To avoid the restrictions, a number of four-wheel drive passenger vehicles have been imported into the US without their rear seats so that they could be classified as commercial vehicles. The seats were then restored and the vehicles sold.

Late in 1987, US customs began pressuring Mitsubishi to classify its Montero (sold as Fajero in Japan) as a passenger car. In response, the company announced it would stop selling the model in the US until it could regroup.

In spite of the problems, some manufacturers expect the popularity of four-wheel drive passenger cars to bloom in the US as it has for off-road vehicles, particularly with the additional nudge from the trend in Europe and Japan. The Japanese plan to be ready both with export models and cars made within the US, especially since no North American carmaker currently manufactures four-wheel drive cars.

Toyota, for example, has announced that a Camry All Trac four-wheel drive will join its Tercel 4x4 as an export in the coming year with possibly the Corolla to come.

Fuji Heavy Industries, makers of Subaru, saw overall production of four-wheel drive vehicles decrease by about 6,000 vehicles in 1987, yet exports rose by about eight per cent. It added its Active Torque Split Subaru - called the XT-6 in the United States - to its exports last autumn.

When its new manufacturing plant jointly operated with Isuzu opened in Lafayette, Ind. this year, it too will manufacture four-wheel drive Subarus.

"The Japanese want to sell more cars and more expensive cars," says Benjamin J. Moyer, an industry analyst for Merrill Lynch in Tokyo. "It will be interesting to see how they promote four-wheel drive in the United States - particularly in areas where it doesn't snow - and how successful they are."

SPAIN'S four-wheel drive sector is dominated by the Japanese and has a distinct north-south flavour to it. The north is Nissan, its Barcelona plant and its upper income bracket Patrol vehicle.

The south is Suzuki, producing its nimble little four-wheel drive SJ-series for the less wealthy in the Andalusian town of Linares.

The north is prosperous and Nissan is finally seeing the return on its investment. The south, wary of a widening gap, is learning the lessons of its rivals in a more developed world and struggling hard to catch up.

This year Nissan carried out two capital increases for its wholly-owned Spanish subsidiary Nissan Motor Iberica, raising Ptas149bn to complete its capitalisation and cancel out the company's banking debts.

In an upbeat mood, the company announced that after years of an "outright crisis" Motor Iberica faced a future full of hope and was living "a spectacular moment".

In the first semester of this year Nissan posted operating profits of Ptas600m against losses of Ptas5.2bn in the same period last year and a positive cash flow of Ptas4.6bn against a negative Ptas1.5bn in January-June 1986.

For Nissan a long hand that began in 1982 when it acquired Massey Ferguson's stake in the Spanish company was reaching its end. Over five years it had battled to reduce financial charges and personnel, to impose a new management style and to build up returns from its Patrol model.

During this period the Japanese company has pumped some Ptas72bn into the company to cover losses, a figure which underlines Nissan's staying power and its belief in the potential of Spain both as a growth market and as an export base for the sector.

In the first six months of this year Motor Iberica sold 29,380 Patrols, a 34.3 per cent increase on the first semester of last year. Domestic sales were up by 37.3 per cent illustrating the clear recovery of the Spanish market after a dip last year and the 8,676 vehicles exported in the first half of this year represented a 27.7 per cent increase.

Far from resting on its laurels, Motor Iberica seemed set to broaden its Spanish base. In the autumn Nissan appeared to be discussing a tantalising development by way of a tie-up with Ford to manufacture in Barcelona an advanced four-wheel drive vehicle for European distribution.

The issue came up during talks in Tokyo between Ford's president, Mr Harold Poling, and Nissan's chief executive, Mr Yutaka Kume, that deal chiefly with plans by the two companies to participate in a plant in North America that will manufacture vans for commercial and leisure use.

Motor Iberica described the Tokyo talks on a Barcelona joint venture as initial and exploratory discussions. That the issue came up at all reflected the performance by the Spanish subsidiaries of the two vehicle giants.

The US company, which manufactures Piesta cars at its plant near Valencia, has built up a 15 per cent share of the Spanish market in a decade and last year reported pre-tax profits that were 106 per cent up in 1986.

The Spanish connection

Japanese lead



Suzuki's SJ 410 hard top van

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Motor Iberica last year showed the highest production increase of all the Japanese multi-national's affiliates with a 66.6 per cent rise in its output against an average 16.6 per cent of Nissan worldwide.

In the south of Spain the mood was different for Land Rover Santana, in which Suzuki

has a growing participation. In the way of Nissan's entry into Motor Iberica to replace Massey Ferguson, Suzuki is in the process of acquiring the equity owned by British Leyland International Land Rover Santana and this was to be achieved principally through rescinding its short-term debts. Saddled with financial costs and with excess labour, the company's Land Rover output has been hit by competition from the Patrol in the domestic market and by the recession in its export countries in the Middle East and Latin America.

However, Motor Iberica has pointed the way forward with its Patrol and the future of the Land Rover Santana clearly lies with its arrangements to build Suzuki's J-series vehicles.

Production of Land Rovers has been cut back in favour of the Japanese vehicle. In 1986, Suzuki vehicles accounted for 17,000 out of Land Rover Santana's total output of 26,000 units. In the first nine months of this year 16,000 Land Rovers were produced at the Linares plant against 4,000 Land Rovers.

Youn Barry

Operating costs

Differences ignored by the customers

THOSE WHO buy 4WD vehicles usually do so either because they know or think they need one, or for the sake of prestige. In neither case, perhaps, does scrupulous cost analysis play much part in the buying decision, yet there are clear differences in overall operating cost between 2WD and 4WD vehicles and never to the advantage of 4WD.

The professional vehicle fleet manager breaks down the costs into three main areas. There is the capital investment cost of the fleet - in effect, the interest lost on the value tied up in the vehicles; depreciation; and direct operating costs such as fuel consumption and regular servicing, plus the overheads of insurance against accident and mechanical breakdown.

Where it is possible to draw direct comparisons between 2WD and 4WD models, as for instance between the front-drive Audi A4 and their 4WD quattro equivalent, it emerges that the latter cost between 15 and 25 per cent more (the smaller the car, the greater the differential tends to be because the extra cost of the 4WD system varies much less than the cost of the car itself).

Thus to run a typical 4WD vehicle instead of its 2WD equivalent costs immediately imply an extra cost, at today's interest rates, of up to £500 a year.

As a general rule, the depreciation of 4WD vehicles follows the 2WD pattern although variations occur between makes. Audi and Subaru, the two pioneers of road-going 4WD cars, seem to achieve roughly the same percentage depreciation for each 4WD model and its 2WD equivalent.

Some other manufacturers' 4WD models fare relatively worse. Even where the percentage depreciation is the same, however, the fact that the 4WD car is starting from a higher initial value means a greater loss.

The difference inevitably depends on the model chosen, too but for an executive-type car it could easily amount to £500 over the first year, with smaller subsequent losses as the residual value of the car declines.

What this implies is that owners or operators of 4WD vehicles will lose about £1,000 a year simply to cover the difference between their choice and a 2WD equivalent. Many owners of course choose to ignore the capital-cost element of overall costs - which is not to say it

goes away just because it is ignored - and concentrates on the direct operating costs.

Some of the engineers involved in the development of 4WD cars have put forward complex arguments seeking to prove that better fuel economy can be achieved by driving all four wheels, but the official fuel consumption figures reveal a consistent penalty for the 4WD car - up to 10 per cent according to circumstances (the heaviest penalty occurs during stop-start urban driving).

This increased consumption is due partly to the increased internal friction of the 4WD transmission system - there are simply more gears in mesh - and partly to the increased weight of the vehicle.

By comparison with the capital costs, the effect of different fuel consumption is relatively small. At current prices, the difference between a 30mpg 2WD car and a rival 4WD that does 27mpg is about £70 per 10,000 miles - a consideration, but hardly a major one over the first year or two of ownership compared with depreciation. It is however yet another cost element which works against the 4WD vehicle.

Differences in other direct operating costs are relatively negligible. The insurance companies treat 4WD vehicles mainly by make and model and rarely differentiate to any significant extent between, say, a rear-driven Ford Granada 2.9i and a Granada 4x4.

The actuarial attitude seems to be that the 4x4 may be slightly less likely to become involved in an accident in adverse driving conditions, but if it is, repair costs are likely to be slightly higher.

Servicing costs for 4WD vehicles tend to be marginally higher than for 2WD ones. The actual service intervals remain the same but the list of required operations, and the labour time involved, is higher. There is little if any evidence that 4WD vehicles are any less reliable.

True, there is more in the transmission system to go wrong, but those parts which are duplicated in a 4WD model are ones which are in any case almost totally reliable in modern cars.

Again, some engineers would argue that by distributing the drive loads more evenly around the vehicle, 4WD actually makes a positive contribution to long-term reliability.

It remains a possibility that very high-mileage used 4WD cars might be storing up expen-

sive trouble for someone along the chain of ownership, but thus far the motor trade has encountered little evidence of resistance among customers to 4WD models on that score.

On the whole, therefore, although the total cost of ownership of a 4WD vehicle is higher than that of an equivalent 2WD one, that cost is mostly bound up with the 4WD's higher purchase price and subsequent depreciation, rather than being due to technical factors such as fuel.

Where technical differences do exist, as in likely fuel economy, they too work against the 4WD case but in a more marginal way. It follows therefore that if and when the extra first cost of 4WD comes down, the whole-life operating costs will follow suit.

Meanwhile, anyone buying a £15,000 4WD car must ask whether they need the extra traction badly enough to pay more than £1,000 for it in the first year of ownership.

Jeff Daniels

Land Rover's new exports policy has boosted European sales, says John Griffiths

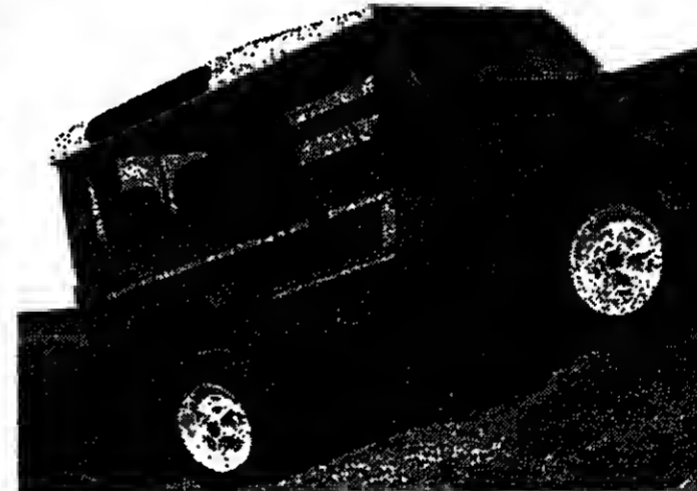
Sell-off options back on the agenda

THE LAND ROVER, for many years the four-wheel drive workhorse of much of the world, reaches its 40th birthday on April 30.

Shortly afterwards - almost certainly before the year's second half - the options for the future of the company which makes it are to be set out to the UK Government by Mr Graham Day, chairman of the State-owned Rover Group, of which Land Rover currently forms a part with car producer Austin Rover.

One previous opportunity to sell off Land Rover, as part of a package under which both it and truckmaker Leyland Vehicles (now part of DAF) would have been acquired by General Motors, came to nought. It fell victim in early 1986 to a parliamentary revolt against the sale, not least by some backbench Tory MPs who saw Land Rover as the "jewel in the crown" of what was then BL.

In both financial and industrial terms, the view was an overly optimistic one. Production and sales of the luxury Range Rover model were certainly increasing. But those of the utility Land Rover itself, on which the company's success had been founded, were heading towards a 30-year low.



Land Rover Ninety County station wagon

Formerly lucrative Third World markets remained starved of foreign exchange, and what had once been clearly-defined niche for Land Rover continued to be broken up by a welter of new Japanese rivals of all shapes and sizes.

Land Rover's profitability was also marginal, and to some extent still is. Having been profitable since its inception, the company was dismayed to

make its first-ever net loss, a thumping \$44.4m in 1983 in the immediate aftermath of the collapse in traditional export markets. Its performance subsequently improved, and in 1986 it made an operating profit of £2m.

Improvement is being sustained, with Land Rover's profit before interest and tax in the first half of last year reaching £7.9m and the trend is

believed to have continued through the second half.

Even so, few believe that the options to be set out by Mr Day, who has himself given inkling of what they may be, can include an early Stock Market flotation.

More likely is an outright sale to another, large vehicle producer, on the grounds that any opposition this time would be much more muted given the aftermath of the abortive GM takeover. That led to GM closing most of its heavy truck-making operations at Bedford at the end of 1986.

No clear-cut candidates have emerged so far, Jaguar being quick last year to discount speculation that it might be interested in providing an "all-British" solution. "We have enough to occupy us growing Jaguar without taking on another company no matter how good its image," says Sir John Egan, Jaguar's chairman.

Taking last year as a whole, sales of the Land Rover continued to decline, and for the first time dropped below those of the luxury Range Rover.

The much more profitable Range Rover saw sales worldwide leap by 39 per cent, to 20,506 from 14,720 in 1986, while the Land Rover sold about 19,000 units, down from 22,000 the previous year.

But the whole-year figures for the Land Rover are at least partly misleading. In the second half of the year a policy switch to concentrate on export markets in the developed world helped compensate for disappearing Third World sales.

Aided also by the introduction of a turbo-diesel model, Land Rover sales rose in mainland Europe by 58 per cent, from 4,005 to 6,450. Within that total, the biggest increase came in France, up 44 per cent, from 977 to 1,408; in Italy, up 47 per cent, from 1,570 to 2,300

and in Switzerland, up 22 per cent, from 303 to 370.

However, the strength of the opposition that the Rover faces was emphasised in its home market, where sales actually fell by 3.5 per cent, to 6,245 from 6,486, in a utility 4WD market larger by 7.4 per cent at 16,100.

However, this year, Land Rover struggled to compete with Japanese rivals like the Daihatsu Fourtrak, sales of which jumped 37 per cent to just over 2,000 units.

However, Mr Tony Gilroy, the managing director, is confident enough about prospects for this year to have increased production to 450 a week, compared with 390 12 months ago although his forecasts are being made publicly.

The Range Rover, meanwhile, is becoming a major access story for the company, and is believed to be generating all its profits. Its UK sales rose by 19 per cent last year to 5,926 vehicles, and sales in Continental Europe by 24 per cent, from 7,790 to 9,655.

The Range Rover was also launched in the US in mid-March last year, with hopes for sales in the first year of 3,000 vehicles even at a current price of \$33,000, which pitches it firmly into the luxury market alongside Jaguar, BMW and Mercedes.

The Range Rover is well on target. 2,686 had been sold by the end of last year, including a record 890 in December, despite the stock market crash.

Land Rover makes clear that the basic, two-product range will form the staple for the foreseeable future, even though they will be produced in a wide variety of versions. It acknowledges no plans to produce smaller vehicles to cater to the fragmenting market.

Its military business remains important and, contrary to some reports last year, the company says it is not yet out of the running for one of the most valuable military orders in recent times, for 4,100 vehicles for the Swiss Army to be delivered over six years from 1990 and worth over £50m. Land Rover has the chance of entering sustained profitability.

Half way through 1987 it took on 600 workers, bringing the total to 8,500, mainly to cope with increased demand for the Range Rover.

Whether others have been, or are being, attracted by its prospects is unlikely to become apparent until the second half of this year.



A KEY technical advance in four-wheel drive systems is the viscous coupling (above) which locks the two halves of the coupling system. Production began in 1984 in a joint venture, Viscodrives, between GKN andZF of West Germany.

GKN is the major licensee for the couplings with manufacturing plants in Europe and a joint venture in Japan. Projected world sales this year are £35m-plus.

The unit consists of two sets of interleaved discs immersed in a high-viscosity fluid which locks the two halves of the coupling when the relative rotational speed is high, distributing power to the wheels that need it most.

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FRED DID, however, return to earth long enough to buy

what is, in our admittedly biased view, an equally innovative form of transport.

HE BOUGHT an Audi 90 quattro.

WHY A 90 quattro?

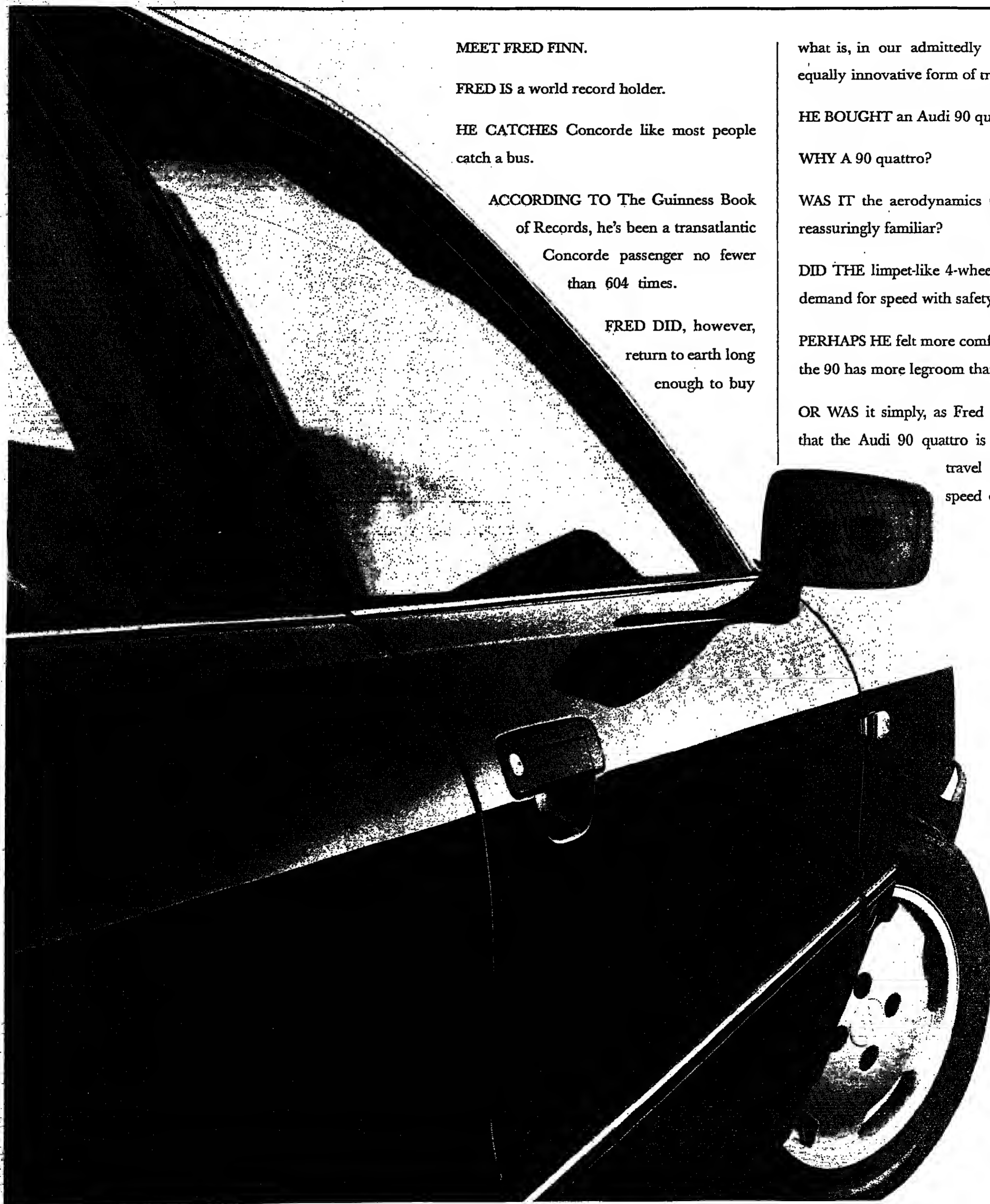
WAS IT the aerodynamics that Fred found reassuringly familiar?



DID THE limpet-like 4-wheel drive meet his demand for speed with safety?

PERHAPS HE felt more comfortable knowing the 90 has more legroom than Concorde?

OR WAS it simply, as Fred himself explains, that the Audi 90 quattro is the only way to travel slower than the speed of sound?



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FOUR-WHEEL DRIVE 8

Any type of car can now be bought with all-wheel drive, says **Stuart Marshall**

Performance that livens everyday motoring

ANY KIND of car, from a cheap runabout to an ultra high-performance sports car for the very rich, may now be had with four-wheel drive.

The Fiat Panda or Subaru Justy with selectable four-wheel drive are priced at the same level as many a supermini with front-wheel drive only. The permanently all-wheel driven Porsche 959, one of the world's most expensive cars, has no price listed but the handful that have been sold are reputed to have cost £160,000-plus.

Between these extremes is a bewildering variety of vehicles (with selectable or permanently engaged four-wheel drive, intended for strictly on-road driving or for a mixture of on and off-road operation).

One of the paradoxes of 4x4 ownership is that a significant proportion of the vehicles with the most formidable off-road performance (the Range Rover and the tiny Suzuki SJ410 to name but two) rarely get their knobby tyres dirty.

The Range Rover is favoured by many city and suburban drivers for its strength, macho image and suggestion of ownership of broad acres. The Suzuki is bought by young women as a fashion accessory to go with stretch jeans and high boots. Few of these owners have any idea that their vehicles, properly driven, would traverse terrain where many a rider would not risk a valuable horse.

The Range Rover has an ideal specification for cross-country driving - lots of power, quite soft suspension to keep the wheels in contact with uneven ground, and permanent four-wheel drive with a lockable centre differential.

But with the high specification (and best-selling) Vogue EFI model costing well over £20,000, few owners are inclined to subject their Range Rovers to serious off-roading. Banging around in muddy thickets does not go well with gleaming coachwork, pale carpets and wood veneer.

The Range Rover is a fast if thirsty motorway cruiser and handles better than one would expect of a heavy, high-slung car with beam axles front and back. The latest Land Rover 90 and 110 have much the same mechanical parts as a Range

Rover, including the 3.5 litre V8 engine if desired. Being cheaper and much more utilitarian, they are favoured by users who have to spend a lot of time away from hard roads. A well-driven Land Rover is almost unstoppable unless the surface is too soft to support its weight.

In these conditions, lighter vehicles like the Suzuki SJ410 and even the Panda 4x4 and Subaru Justy shine, though the last two lack the ground clearance for use on really rough terrain.

Small, selectable four-wheel drives like the Panda, Justy and the Lancia Y10 are really only for dealing with slippery but reasonably level surfaces like snow-covered roads or sandy beaches. They are an ideal way of maintaining mobility at minimum expense.

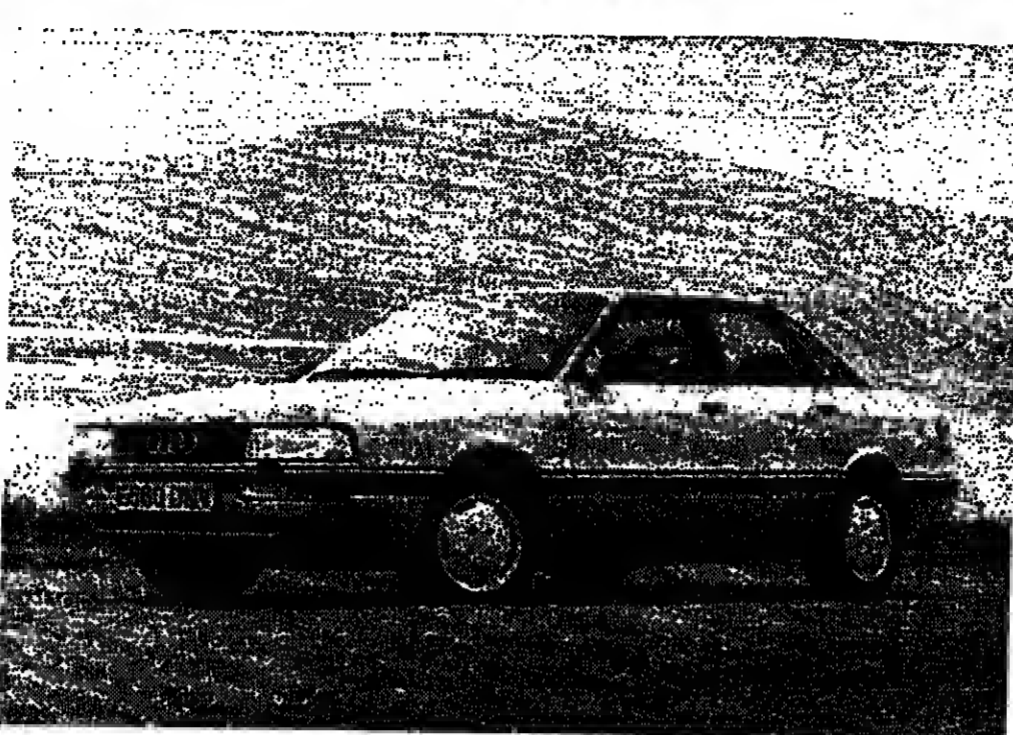
The fastest-growing sector of the on-off-road market is now dominated by Japanese producers. They had the wit some years ago to realise that a lot of recreational users wanted the amenities of a Range Rover combined with a much lower price and better fuel economy.

If the vehicle lacked the ultimate cross-country capability of a Range Rover or Land Rover because it had no lockable centre differential, it did not matter. They did not plan to use their comfortable, luxuriously-trimmed 4x4s for climbing in and out of bomb craters.

At most, they would cross a muddy paddock, possibly towing a horse trailer. For 99 per cent of the time their vehicles would be used as roomy estate cars, transporting children, straggle bales, wheelbarrows and all the other impediments of outdoor family recreations.

Leading vehicles in this class are the Mitsubishi Shogun, Isuzu Trooper, Nissan Patrol, Daihatsu Fourtrak and Toyota Land Cruiser. The first two have independent front suspension, which gives them an almost car-like ride. The other three have simpler, leaf spring suspension.

All are offered with the option of a diesel engine, sometimes turbocharged. Diesel power suits on-off-road vehicles because it curbs an otherwise dysmoral thirst, caused by aerodynamics like those of a barn door, plus the drag of extra gear trains in the



Above: The latest Audi 90 quattro - exploiting saloon car 4WD to the full; above right: Range Rover Vogue - transport for the country set; and, right: Daihatsu FourTrak, tough vehicle for serious work



transmission and the added rolling resistance of stiff, bold treaded tyres.

They are quiet and agreeable machines to drive, reminiscent of a Volvo 240 estate but with much greater clearance underneath. Power steering makes them untrilling and reasonably parkable in town.

Their clutches and gearshifts demand little effort and in some cases, automatic transmission is available, though mostly with petrol engines only.

These vehicles plugged the yawning gap between the very expensive Range Rover and the price-competitive but utilitarian Land Rover. There is no European equivalent to these recreational 4x4s apart perhaps from the Mercedes-Benz G Wagen.

This vehicle is a mechanical masterpiece but is generally held to be too expensive to be used as a bang-about vehicle,

and not attractive enough to appeal to buyers who need a 4x4 to go with a country lifestyle.

Another sector which is Japanese-dominated is the all-wheel drive pick-up truck. Mitsubishi, Nissan and Toyota all make pick-ups which combine car-like cabs for two (or at a pinch three) people with an open

back that carries bulky loads of a tonne or more, across rough terrain if need be.

Power steering and a diesel option ensure easy driveability and reasonable fuel economy. The Subaru car-derived pick-up differs in being a front-drive design with the option to switch power to the rear wheels.

All the others are rear-wheel driven, with a two-speed transfer case to bring in front-wheel drive in high or low range.

Permanent four-wheel drive for cars meant to be used only on the road was pioneered by Audi, whose Quattro Turbo coupe of 1980 was a watershed in automotive design. Splitting the torque of a powerful engine

among all four wheels has a wonderfully calming effect, especially on wet roads.

With only half the power to transmit, a tyre's grip is roughly doubled. By rule of thumb, then, an all-wheel driven car is four times as likely to climb a snowy hill as one with two-wheel drive.

But it goes further. During hard acceleration, or when cornering fast under full power, an all-wheel driven car is much more stable.

The extra traction on slippery surfaces has to be used responsibly because, in the end, a car remains under control only if there is some friction between tyre contact patch and road surface.

The Quattro instantly made all other very fast cars seem out of date. It has spawned many competitors, mainly - like the Audi - front-drive designs equipped with a set of rear final-drive gears and a centre differential. This arrangement is essential for a road-going 4x4.

A differential or viscous coupling gets rid of drive line stresses caused by the front and rear wheels travelling different distances when a car goes round bends.

Lancia has espoused all-wheel drive for high-performing road cars like the Delta Turbo and Prisma. A Thema 4x4 is not far off, and the new Alfa Romeo 164 will soon appear with all-wheel drive.

In fact, many European manufacturers and, without exception, all the Japanese now offer permanent all-wheel driven road cars in their model ranges. Or if not, they plan to add them as quickly as possible.

Ford, BMW and Mercedes-Benz have followed a different path, converting rear-wheel driven models like the Sierra and Scorpio Granada (in the UK) to all-wheel drive. They add a transfer case to the main gearbox, with a small propeller shaft going forward to the front wheels. Ford and BMW have all-wheel drive permanently engaged.

Mercedes-Benz prefers to have it switched in automatically when a computer detects that the driven rear wheels are turning faster than the front ones.

Once the benefits of all-wheel drive on a fairly powerful road car have been experienced, especially in wintry conditions, two-wheel drive motoring is never the same again.

BEAUTY AND THE BEAST OF BURDEN

THE FORD SIERRAS FOR 1988

Estate cars have many fine features. Beauty, however, is seldom one of them. That makes this splendid Sierra Estate all the more exceptional. For, as most people who've seen it agree, it's a truly handsome machine. Not that it's any less practical for that. In fact, there are those who'd argue that it's one of the great all rounders. As a five seater, it's just as comfortable as the Sierra Saloon. Quiet too, thanks to that aerodynamic shape. As a work horse, it can swallow loads 6ft long and 4ft 5ins wide (3ft 7in between wheel arches). The wide tailgate opens right down to floor level.

And the back seats are split 60/40 for extra versatility. And, as a driver's car, it's genuinely pleasing. It handles well when heavily laden. The 2.8 fuel injected model here even has four wheel drive, unbeatable in heavy going. And, like all Sierras, it gives you the option of anti-lock brakes. How many beasts of burden are so sure-footed?



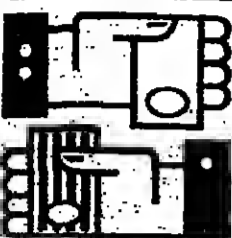
- SIERRA 2.8 LITRE 4x4 ESTATE**
- Max. load space 51.6 cu ft*
 - Max. speed 124 mph
 - Independent, self-levelling rear suspension.
 - Power steering
 - Alloy wheels
 - Built-in roof rack
 - Electronic sound system
 - Tilt/slide sunroof
 - Central locking
 - Powered, heated mirrors
 - Tinted glass
 - Optional black paint
 - *Measured by the VDA method. Ford computed figures.



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SECTION III

FINANCIAL TIMES SURVEY

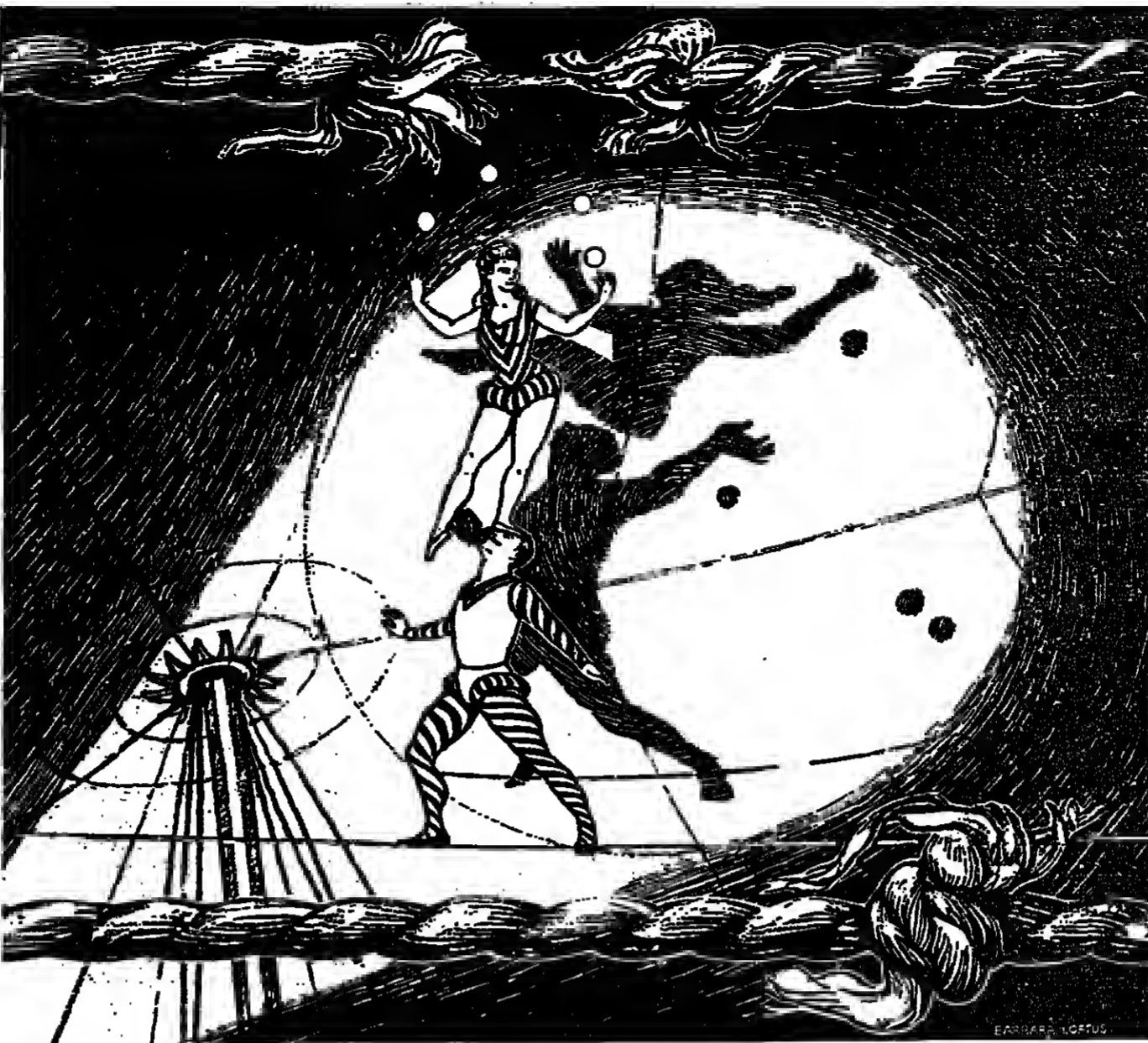


The outlook for both junior markets was changed dramatically when they plummeted to earth after Black Monday, writes Philip Coggan.

As yesterday's high performers pick themselves up to start again, companies face problems over liquidity and paper acquisitions.

Back on the high wire

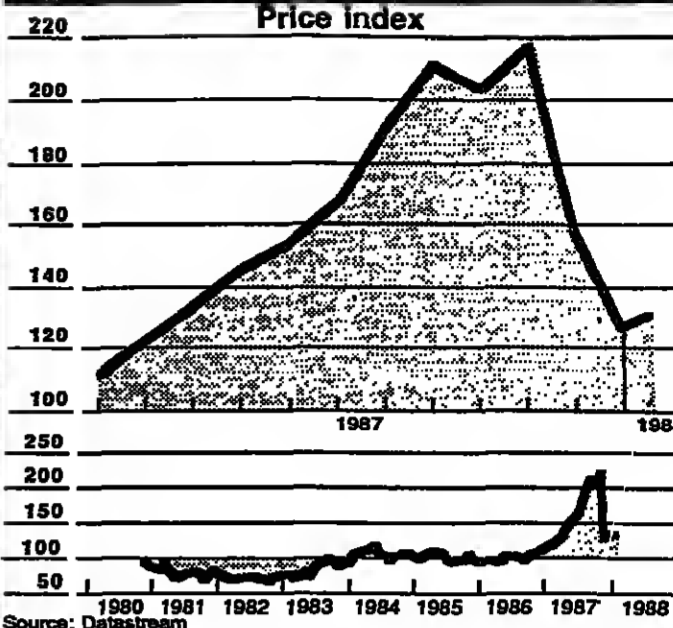
FOR NINE months of last year, the junior markets were walking the high wire to success. All the worries of 1986 seemed to be behind them - turnover and prices were soaring, the Third Market was launched without any major catastrophes, penny shares seemed to pave the investor's road to Eldorado.



CONTENTS

Table listing various sections like 'The placing rules', 'New issues', 'Takeovers', etc.

Unlisted Securities Market



Thompson influence had not yet resulted in any deals or acquisitions. In contrast to this frenzy of activity on the USM, the new Third Market had an extremely quiet start.

The USM and the Third Market

Some USM company directors, wise enough to realise that the good times would come to an end, took the opportunity to sell out. Forty-eight companies left the market in the course of 1987, realising a total of over £876m for their grateful shareholders.

At the same time, the highly-rated paper enjoyed by most USM stocks allowed them to realise expansion plans without turning to their bank managers. USM companies made a total of 371 acquisitions valued at £1.1bn last year.

And there were also 'near-shells' - companies with ambitious plans for expansion, which recruited the support of prominent investors. The prime example was Gientree, the North London estate agency which pulled off a coup in May when Mr David Thompson, the co-founder of Hillside Holdings, injected some £5m.

Nevertheless, the market got through the year without any disasters. No companies went bust and only one new issue, that of holiday group Neilson Leisure, had to be withdrawn when it became clear that the company would not meet its profit forecast.

The lack of disasters, and the lack of disasters, sprang from the same root cause. When the Stock Exchange established the market, it transferred the responsibility for vetting potential entrants to sponsoring brokers and bankers.

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J.F. Kennedy

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UNLISTED SECURITIES

Table of Unlisted Securities listing various companies and their financial details.

st.

In 1987, for the second year running, Capel-Cure Myers has carried out more USM flotations than any other sponsoring broker*



CAPEL-CURE MYERS

Member of the Stock Exchange Member ANZ Group 65 Holborn Viaduct, London EC1A 2EU. Telephone: 01-236 5080

*Source: Paul Marwick McIntech

THE USM 2

The placing rules are impeding popular capitalism, explains David Waller

Small players rarely get a game

SOME 75 companies joined the USM last year, 14 of them after Black Monday. Those that made their debut before October 19 achieved an average premium of 23 per cent in first-day dealings...

advertising its prospectus, processing the applications and getting the issue underwritten. The disillusion induced in the minds of frustrated would-be shareholders is a small price to pay for a quick, hassle-free flotation.

Another problem. One leading corporate financier, currently petitioning the Stock Exchange to alter the rules as they now stand, points out that the requirement to have a co-sponsor could be a liability in the post-crash environment.

The rule change has affected marketability. Those allocated stock in the placing are unlikely to relinquish it, so trade dwindles

But the trend has worsened dramatically since October 27 1986, the date of Big Bang when the Stock Exchange sprang a new set of placing rules on unsuspecting stockbrokers and their clients.

One major change had been foreshadowed: the placing ceiling was raised from £3m to £5m on the USM, and from £3m to £15m on the main market.

Now, for issues of up to £15m on the main market and between £2m and £5m on the USM, the broker with primary responsibility for the placing is obliged to appoint one or more co-sponsors.

Whether or not the rules are altered again, it is unlikely that there would be a deluge of offers for sale on the junior market - and equally improbable that investors will be able to buy as many shares as they want at the price they want.

This data storage and retrieval company came to the USM in September last year, raising £2.3m through an offer of 28 per cent of its shares. The amount raised fell far below the £5m placing threshold.

Security Archives took a commercial decision, reasoning that the publicity surrounding the offer would attract new corporate clients and thus recoup the higher costs.

Start-ups

Risk outruns reward

WHEN EXPLAURA Holdings launched an offer-for-sale on the USM last year, the omens were not auspicious. Explaura was the latest, and possibly the last, start-up company to join the second market.

an appropriate reward. Nimble 3-D followed Heeketh on to the USM in November 1981 - but its hopes that its 3-D camera would be snapped up by amateur photographers were never realised.

acquired by Health Care Services, another USM-quoted company. Investors, especially those who put in money via the Business Start-Up Scheme, will have made a tidy profit.

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New Issues Quieter year, no flops

IT WAS a topey-turvy year for new issues on the Unlisted Securities Market. For a time, in the summer, it seemed that even a brick could float on the USM; such was the enthusiasm for any new dollop of equity.

high of 60p just before Black Monday, its shares fell to a low of 16p by November 9, just over half the issue price. Nevertheless, the fact that Explaura's issue was 10 times over-subscribed indicates the heights which "new issue fever" reached last year.

as being representative of Britain in 1987, was Filofax. The words Filofax and Yuppie have launched a thousand clichés this year as journalists have sought a way to categorise the high-earning share-owning young middle classes.



Filofax: historians' choice?

Whether or not the rules are altered again, it is unlikely that there would be a deluge of offers for sale on the junior market - and equally improbable that investors will be able to buy as many shares as they want at the price they want.

The phenomenon can probably be explained by the eagerness of quoted groups to acquire private companies. That gave company founders an alternative route for realising some cash and for raising growth capital, without the cost of preparing for a flotation.

Investors were willing to snap up anything that was going. The largest amount raised in any new issue was the £27.7m tender by Stanhope, which became briefly the biggest company on the USM.

Some way behind were two of the other offers for sale: Explaura, the start-up Newfoundland mining company, and the much-publicised Sock Shop.

The Stanhope issue was unusual in many ways. It was almost the classic bull market stock, centred as it was on property development and having as its showpiece a major development in the City - the 3.8m sq ft Broadgate site.

Stanhope chose the unusual method of a tender for flotation and was rewarded with a striking price 40 per cent above the minimum set. Even then, the offer was 10 times over-subscribed.

Explaura was a completely different type of new issue, but it suffered much the same fate as Stanhope. Having touched a

unfashionable business of limestone mining, hardly the stuff of which glamorous colour supplement articles are made.

Nevertheless, investors were willing to plump for a company which will not start producing profits until 1989. Was the reaction to the Explaura issue part of the speculative excesses of the bull market, or was it just the stock market doing its job of providing risk capital?

That debate was also raging when Sock Shop International came to the market. Bigger, the specialty retailer saw its issue 82 times over-subscribed and the shares soared to a 100 per cent premium on the first day.

But few investors were able to uncork the champagne and light their fireworks on the proceeds. Nearly four out of five were eliminated in a ballot; of those that remained, most received an allocation of just 100 or 200 shares.

Regretting that they failed to float when the market was at its peak, the average new issue p/e for the first nine months of the year was 16.5; and seven issues managed a rating of over 20.

However the stock market performs this year, it seems inevitable that it will be some time before sky-high p/e ratios and automatic first-day premiums return to the USM new issue market.

Philip Coggan

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THE USM 3

Philip Coggan appraises the leaders and laggards

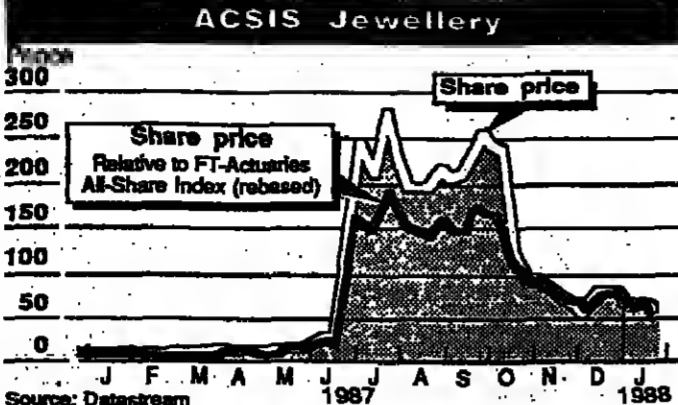
The new-blood factor

IF ANYONE doubted that the bull market had reached ridiculous heights, they should look at the top performing stocks on the USM in 1987. The list is dominated by "shell" companies and "management situations" - only a few of the stocks have made it to the rankings on the back of genuine organic growth.

Acasis Jewellery, Pacific Sales Organisation, Marina Development - all owe their phenomenal price rises to the injection of new management and to hopes of radical change in corporate direction. An investor would have needed the foresight of Nostradamus or the luck of the Devil to pick them out at the start of the year.

Marina Development was an unsuccessful marina operator until a concert party led by fast-growing Local London Group moved in; after the share price had shot up, the company was able to use its paper to acquire more marinas from Rank, becoming the largest marina operator in the country.

Pacific Sales managed to use its highly rated paper to fund its planned expansion into the office equipment sector - making the purchases just in time to avoid the crash. But Acasis, which at one point showed an incredible 2,400 per cent price jump, was unable to pull off a deal until December, by which time its shares had lost some of their lustre.



Acasis Jewellery	680
Ecobric	650
Pacific Sales	384
Entertainment Production	378
Services	242
Sims Catering	236
Glaxo	228
Savage	224
Marina Developments	223
Rex Williams	190

Pericom	73
Piaton	59
John Michael Design	54
Pavon	56
Hiuntleigh Technology	53
TDS Circuits	51
Mustarin	48
Inslem	48
Ealing Electro-Optics	48
Infrared Associates	48

The presence of Ecobric in the list is particularly ironic. For much of the year the shares were suspended, following a conditional agreement for property developers Zurich Group to make a reverse takeover. Thus, Ecobric's share price was unaffected by the crash. But when the deal with Zurich fell through in January, and the shares resumed dealing, they dropped back to 30p, a 60 per cent decrease. Ecobric now hopes to expand, via acquisition, in the industrial sector.

Glaxo, the North London estate agent, owes its position in the list, not to the property market boom, but to an injection of funds by Hillsdown Holdings co-founder David Thompson. Similarly, Sims Catering was boosted by the arrival of Mr Ron Randall, who originally built up Meadow Farm and quickly expanded the group's meat business. And Rex Williams Leisure owes its share price jump to the purchase of a major stake by housing promoter Frank Warren.

Some groups made it into the top ten without the injection of new management but on the back of profits growth alone. Savage expanded via a string of acquisitions in the DIY market this year, announcing nearly trebled profits and doubled earnings per share.

The directors of the company, which was formed after a management buy-out in 1984, must be especially pleased with its progress. When Savage was floated in May 1986, capitalised at just £10m, not one of the directors sold a share.

Hughes Food Group has made a string of acquisitions in the food sector since it joined the market in July 1986, quadrupling its profits and septupling its market capitalisation.

The leaders all showed much larger percentage increases in

companies were joining the market. The next year and a half saw profits advance steadily, but in the second half of the 1986-87 year, the company spent heavily on pitches for new contracts.

Profits fell by 88 per cent, and JMD first considered a cash injection from UTC, the financial services group, before opting for the backing of the Hillsdown Investment Trust, a subsidiary of the Hillsdown Holdings food group.

But Hillsdown's offer, made just before the crash, had to be changed in the wake of a ruling by the Takeover Panel. In the meantime, JMD had to announce a slump into interim pre-tax losses and Hillsdown rejigged the package. Then, that package too was abandoned when Hillsdown alleged that JMD had neglected to tell it about litigation.

It added up to a disastrous year for JMD, and the company is currently considering its options now that Hillsdown has withdrawn.

Pavon International, the "Wet'n'Wild" cosmetics manufacturer, had a "damp'n'miserable" year. Although its US industrial heating subsidiary turned a loss into profits, cosmetics profits fell sharply because of competition and the weakening dollar. In August, Pavon was forced to take the unusual step of announcing that its share price was unjustifiably high.

Given the dominance of "management situations" in the leaders list, it is particularly ironic to see Ealing Electro-Optics appear as one of the worst performing shares. Three businessmen, David Hill, Sandy Sanders and Colin Gervase-Brazier, moved into the group in the summer; but profits continued to decline, thanks partly to the falling dollar, and the early hopes of turning the group into a multi-tonglomerate now look optimistic.

The rest-of-the-laggards include one US group (Infrared Associates), one large exporter to the US (Hiuntleigh Technology), two electronics companies (Inslem and TDS Circuits) and a book publisher, Mustarin, which reported interim losses.

Finally, a valdictory salute to Parkfield Group, which was consistently one of the top USM share price performers before it left to join the main market last summer. In the last three years, it outperformed the FT-A All Share Index by a staggering 1,100 per cent. This year's leaders will do well to surpass that long-term record.

Sponsorship after the crash

Fewer will vie for less business as brokers review their strategies

THE OCTOBER crash may well prove more significant for USM sponsors than the Big Bang a year earlier appears to have been. A league table for 1987 would show - as it did in 1986 - a proliferation of sponsors, many of them responsible for one or two issues only.

This partly reflects the comparative security of USM new issue business, at least up until October 19. Over 1987, the average premium was around 30 per cent, but during the summer premiums soared, with Sock Shop, the specialist retailer, seeing its shares trade at double their issue price at the end of the first day's trading.

The historic attraction of sponsoring a USM company lies less in the issue itself than in the prospect of future acquisitions and fees. The companies have historically relied heavily on acquisitions to grow.

Issue costs for a placing start at £180,000, but a fully advertised offer for sale will cost over £300,000. The fees also relate to the amount of work undertaken by the sponsor - even if the issue is pulled, the sponsor takes a fee.

Directors too have become more cautious, faced with the prospect of having to give more of the company away to raise the same sum of money.

There are two implications for 1988: there will be less new issue business, and there will be fewer players eager to pursue it. As broking houses review their strategies, the most likely casualties of retrenchment are recently established departments which only bring in a comparatively small proportion of total revenue.

Those that are likely to remain significant sponsors are the houses which were already committed to the USM some time before the Big Bang.

However, the evidence from 1987 suggests that the range of services, particularly market making, offered by larger conglomerates are not necessarily as profitable as they seem. The directors of an USM company contemplating a listing might well have reflected that the quality of service offered by a smaller broker might be better and more personal. Indeed, smaller brokers have remained significant

sponsors - particularly regional ones.

As Mr Tim Seymour, a director of one of the smaller houses, Gilbert Elliott, with a recently established corporate finance team, points out: "Those people who float companies which succeed are likely to be the teams which succeed. It is not a question of size as much as one of success."

Another reason is that some of the larger conglomerates have decided that USM business is simply too small - a decision likely to be reinforced by the crash. Two years ago, sponsorship was dominated by Simon & Coates, Capel-Cure Myers and Phillips & Drew. Only CCM has remained a leading operator.

"Of all USM floatations over the 18 months to June 1987, the average market capitalisation was \$12m," explains P & D's Robin Williams. "Of those, 74 per cent by number were under \$10m. We try to make sure our USM companies are over the \$15 to £20m mark, which tends to exclude us from the majority of smaller issues. We are prepared to be excluded because

we have problems attracting our larger institutional client base to smaller issues. We are more interested in looking after the bigger client."

Capel-Cure Myers, a subsidiary of ANZ bank, is in top position for the second year running and might reasonably be expected to stay there. Its sponsorship business seems to have suffered little last year, despite the defection by 11 of its small company team to Wood Mackenzie.

There is little sign of CCM's former great rival, Simon & Coates, now Chase Securities following its purchase by Chase Manhattan and subsequent merger with Laurie Milbank. "The Big Bang came soon after our integration into Chase Manhattan," comments Mr George MacDougall, a director of Chase Investment Bank. "We stood back from the market for a while as we wanted to watch its liquidity carefully."

Mr MacDougall says that Chase has now decided that it is firmly committed to the USM and intends to launch some issues in the early spring. "We would have floated one or two by now had the market been

more certain," he adds.

One omission from the list of sponsors is Hoare Govett, which sports one of the most prolific teams of USM analysts. The firm appears to have concentrated on developing its research coverage first with a view to moving into corporate business last year.

Hill Samuel has also moved well down the league. Rivals allege that well publicised political problems around the time of the company's sale to TSB may have harmed its ability to win new business.

"All our quotations were on the main market last year," said Mr Tom Brockbank, a director of the small companies unit at Hill Samuel. "The reason is that the difference in cost between a full listing and a quote on the USM has narrowed, and a number of companies have thought in terms of a full listing."

Merchant banks are a little more expensive than broking houses, as most add an initial charge of about \$30,000. However, Mr Brockbank argues, "There is substantial evidence to suggest the pricing of the shares is better when a merchant bank is sponsoring an issue. We are simply acting on behalf of our client and shareholders, whereas the broker is also looking after his institutional clients so there is a tendency to underprice."

It seems likely that, over 1988, the less committed players will not waste time on USM floatations. This leaves fewer competitors to fight a more serious battle in tougher conditions for long term market share.

1987	1986	1985
ANZ/Capel-Cure Myers (9 issues)	Capel-Cure Myers (11 issues)	Simon & Coates (8 issues)
Barclays de Zoets Wedd (4)	J. Henry Schroder Wagg (3 1/2)	Phillips & Drew (6)
Albert E. Sharp (4)	Brown Shipley (3)	Robert Fleming (5)
Laurence Prust & Foster Braithwaite (3)	Hill Samuel (3)	Hambros (4)
County (2)	Loyds Merchant Bank (3)	Samuel Montagu (4)
Phillips & Drew (2)	Rowe & Pitman (3)	United Trust & Credit (3 1/2)
Gilbert Elliott (2)	Savory Millin (3)	Capel-Cure Myers (3 1/2)
Kleinwort Grieson (2)	Phillips & Drew (2 1/2)	Albert & Sharp (3)
Chase (1)	Earnshaw Haes (2 1/2)	Fiska (3)
		Hichens Harrison (3)

Source: Peat Marwick

Heather Farnbrough



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Alice Rawsthorn profiles Pepe, one of Britain's leisurewear leaders

Going overseas in jeans

A RAGS-to-riches tale of a penniless immigrant building a multi-million pound business from a market stall selling like soap opera. But the story of Pepe is one of real life rags to riches.

It began in the London street markets of the early 1970s, when Mr Niran Shah arrived from Kenya and began to sell second-hand jeans on a stall in the Portobello Road.

Today, Pepe is a leisurewear group with interests all over the world. It is also one of the largest companies on the USM, with a market capitalisation of more than £60m.

Pepe swiftly graduated from the Portobello Road to other markets, into retailing and thence to wholesaling. Mr Shah's brothers - Aran and Milan - came from Kenya to join him.



Roger Rowland: a system that works

The business ran into problems in the early 1980s, when a shipment of goods from Hong Kong went astray and a manufacturing venture in Kenya failed. But it weathered the storm, and in 1985 the Shah brothers were able to float their company on the USM with a price tag of \$23.5m.

The Pepe formula combines a marketing strategy - of designing more inventive leisurewear than that of the multinational jeans giants - with a flexible sourcing policy. Thus Pepe is not involved with manufacturing, but sub-contracts the production of clothing to its own design from companies in the Far East.

A year before the merchandise is to be sold in the shops, Pepe chooses its fabrics and colours for the season. Its designers then work on samples of the collection. These are shown to retailers, and orders are placed for the merchandise. Pepe then instructs its manufacturers in Hong Kong and India to produce to a specific quantity.

The system has been refined over the years. Pepe has, for example, established a quality control team in Hong Kong to ensure that the standard of output is satisfactory. It has also recently set up a similar team in India.

The advantage of this system is that the Pepe operation is free from the burden of the heavy fixed costs that conventional clothing manufacturers carry. Moreover, given that retailers place their orders in advance, it is rarely lumbered with surplus stock at the end of the season.

The disadvantage is that Pepe finds it more difficult to take advantage of sudden changes in fashion. When the trend for "snowwash" jeans - a style of denim mottled with a marbly

finish - surfaced last winter, Pepe had no snowwash styles in its range. It managed to produce a collection, but only at the cost of air-freighting it to Europe and of missing several weeks of sales.

Nevertheless the Pepe management team, headed by Mr Roger Rowland, as chairman, with the three Shah brothers, has concluded that the beneficial features of the system outweigh the bad.

Pepe now sells the eponymous Pepe brand, together with its Hard Core and Big Stuff ranges, to multiple and independent retailers throughout Britain. In the early 1980s, denim jeans played a modest part in its collection. But since the success of the Levi advertising campaign two years ago, it has taken advantage of market buoyancy to increase its involvement with denims.

The company is now established as one of the leading players in the British leisurewear market with an estimated 6 per cent of jeans sales. But the thrust of its expansion in the future will be overseas.

Pepe is already established as a brand in several European markets, in the US and Australia. It is now finalising plans to set up subsidiaries in New Zealand and Portugal, and is considering expansion into Canada, Scandinavia and the Far East.

Once the international spread of activities is sufficiently broad, Pepe plans to take advantage of marketing opportunities such as pan-European advertising.

A year ago the group acquired Buffalo, a French clothing company, which it intends to develop into an international leisurewear concern.

The integration of Buffalo has been more difficult than was expected. The restructuring involved introducing a new senior management team and changing its production system, is now almost at an end. Buffalo, which has been introduced to other European markets, should make a modest profit in the financial year to the end of March.

In recent months Pepe has concentrated on reinforcing its own management team. It has drafted in executives from outside the company - chiefly from retailing and textile concerns such as the Burton Group and Dawson International - to strengthen areas like international expansion and sourcing.

These new senior managers will, it is hoped, create the base from which Pepe can expand in the future. The company can then begin, as Mr Rowland put it, "to drive the Pepe brand name all around the world".

Shell companies

How Acsis became a jewel

IF THERE is one sure sign of a heady bull market, it must be a burst of "shell" activity. Suddenly, every would-be entrepreneur starts to look for a quoted company - small enough to be purchased, preferably "clean" and cash-rich, and with as little cumbersome, ongoing activity as possible.

The rationale is simple. As equities generally become more and more highly rated, the value to budding entrepreneurs of a market quote escalates. Investors are increasingly willing to subscribe for new shares, and a rapid acquisition programme can easily be paper-financed.

Last summer, shell activity boomed. To the businessmen buying in, it made little difference whether the company's stock was on the main market or the Unlisted Securities Market. In those bull market days, many investors appeared less than choosy about the paper they backed, and the more tightly held the shares, the greater (and therefore the more useful) the subsequent price movement.

So while main market shells took in the likes of Pacific Sales Organisation, Oakwood, Phicom and Sharna Ware, the USM contributions included Acsis Jewellery, Sandeworth Trust, York Trust, Celia Equity Finance Trust, Rivlin Entertainment Production Services.

Acsis Jewellery was certainly the most dramatic story in share prices terms. The company had come to the USM in 1981 at 70p a share, with a placing of 40 per cent of its equity. It was then making over £500,000 a year pre-tax, derived from the sale of medium-priced fashion jewellery through about 70 "shops-within-shops" and mail order.

It was not long before the problems started. Come 1982, the company moved into the red - with the problems blamed on recession in the jewellery trade. That was followed by a modest recovery, and in 1984 Birmingham Mint made a £1m capital injection, receiving convertible preference shares in return. But the money failed to prevent losses from



Darryl Phillips: shares soared after his purchase

recurring in 1986-8 and 1986-7.

By then, the shell route looked the most attractive option for shareholders. During 1986-7, Acsis cut the number of outlets from 40 to six, drastically reduced its stocks and sold its head office for almost £500,000. Mail order had already disappeared in 1984. By the autumn of 1986, it was no secret that Acsis was effectively on the market - and at one stage England cricketer Phil Edmonds was rumoured to be interested.

In fact, it was late-June 1987 when South African businessman Darryl Phillips acquired a controlling interest, via a British Virgin Islands-based company called Windstorm. A £1.5m rights issue took place immediately, and Windstorm ended up with 38 per cent of the Acsis shares.

Within days of the buy-in, the market had twigged that Mr Phillips operated a group of advertising agencies - plus service subsidiaries - back in south Africa, and that he highly rated marketing services industry in Britain. The shares, having bumped around the equivalent of 20p (adjusted for rights issue), soared to over 300p.

By the black Monday of the previous month, they had wiped out - but by mid-December the company was still showing a 650 per cent advance, making it the second-best performing share for the year overall among compa-

plus barrister-cum-property developer David Holland and former Lloyd's & Scottish managing director John Little.

And the deals came even more quickly. In February, there was an agreed £60m bid for London & Provincial Shop Centres. In March, a £14.5m offer for Apex Properties. In August, £182m-worth of properties were bought from Mountleigh and British Land; in September, the New Oxford Street property from textile group Lester, for £16.5m.

The key question is how such companies will fare in the wake of the stock market crash. In general, shell companies' shares have been among the worst hit - scarcely surprising, given their previous growth and the fact that they are essentially acquisition-led vehicles. With market ratings sharply reduced over the past few months, and underwriting still very difficult, this sort of deal-making has ground to a standstill.

For many shell entrepreneurs, the sudden fall in October meant that acquisitions already in the pipeline had to be cancelled or renegotiated. The latter option has not been easy; most report that sellers are understandably reluctant to cut their prices just because the purchasing company's pspcr has fallen out of bed.

Those fortunate shells who have already secured some solid profitable business can at least bat down the hatches, while the market eventually recovers a medium of steadily recovering a usable rating eventually returns. The tougher outlook is for those where the acquisition programme has only just got under way.

Again, Acsis is a prime example. In late December, it managed its first deal - a £5.9m acquisition and a far cry from the £15m-£75m purchases which Mr Phillips had envisaged in the late summer. Moreover, the vendors end up with a 30 per cent stake in the enlarged company.

But that, after all, is the risk attached to the often high-reward shell route.

Richard Teft

But that, after all, is the risk attached to the often high-reward shell route.

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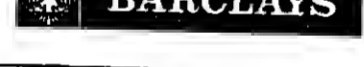
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Takeovers A happier place to buy

JUST AS takeover activity was a prominent feature of the main market in 1986 and 1987 up until the crash, so it was on the USM.

Acquisitions have been an important feature of the USM companies with plentiful shareholders' funds to expand. During 1987, USM companies made some 371 acquisitions at a total cost of around £1.1bn.

Sims Catering Batters has been an aggressive acquirer since Mr Ron Randall, formerly chairman of Meadow Farms until its purchase in Hilldown, took a controlling interest last year. The company more than doubled its turnover with three paper-based deals in the autumn. These acquisitions were designed to make Sims a fully integrated meat business, but the company has made clear that it also intends to develop into a food manufacturing and meat distribution group, in which acquisitions will play a major part.

The USM has traditionally been a market for takeover acquisitions, because, as Mr Geoff Douglas of Hoare Govett comments, "acquisitions are technically easier to make on the USM".

In the past, high ratings and favourable stock market conditions for issuing paper have enabled the majority of USM companies to finance their deals by share purchases, often with an additional deferred payment on earn-out arrangements. Investors have tended to welcome the resulting expansion of free market capital.

Last year saw some sizeable acquisitions by USM companies, such as food producer and distributor Hunter Saphir's £18.4m purchase of four companies from Berisford, and funeral directors Hodgson's £15.5m acquisition of Ingall Industries from the House of Fraser.

Other companies were also popular targets for their larger brethren on the USM. Last year, 48 USM companies were acquired for a total of £376.4m. These included the purchase of Charlie Brown's Holdings by Woolworth's and Kennedy Brooks' £8.5m acquisition of Crusts.

As USM companies tend to place only a small proportion of their equity in public hands, they are likely targets for takeover bids, rather than contested takeovers. For the acquirer, the attraction is this is often a safer, cheaper and more enjoyable way to buy a company.

An agreed bid can also guarantee the directors' future ties with the company, and sometimes opens up senior managerial positions in the acquiree's operations. For the directors of Blazer, the retailer, an agreed deal with Stonehouse was an attractive alternative to an intended flotation on the USM in uncertain markets, while guaranteeing their future interest in the business for some time. The director of Tasco, which imports and distributes sports equipment, recently decided to sell to Fortmans, in preference to a quotation on the USM.

One unusual USM acquisition last year was the UK's second largest management buy-out, Wickes, the do-it-yourself retailer. The American parent, which had floated it off in the first place for \$46.2m, financed its repurchase for £110m under the existing management.

Although most deals are agreed, well below average, always so happy. The USM has seen more than a few distress acquisitions; last year, 23 per cent were purchased either at a discount to their issue capital or at a premium of under 10 per cent, well below average for the rest of the market. Among companies acquired last year, the average length of stay on the USM is 32 months, over which the mean increase in capitalisation is 114 per cent. This compares with those which move off the list on a full listing, after an average spell of 29 months and a staggering mean increase of no less than 976 per cent.

Acquisitions are a good way out for companies who saw a USM flotation as the end of the line and did not necessarily want to use the market to issue paper, comments Mr Rowan Simmonds, of West & Co., the frequency of past deals suggests there plenty of directors who are not necessarily averse to cashing in their "paper million".

USM companies are by no means always passive players in takeover deals with fully listed companies. In February 1987, ET Sutherland, the producer and chilled meats cannot food, over fully listed producer of home farm products.

Another audacious takeover was the agreed \$57m offer for London & Provincial Shop Centres, a fully listed property company, by USM-quoted Rand-

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سكا من الاميل

The Third Market, a year old last month, has had an unexciting start

New rules will speed membership

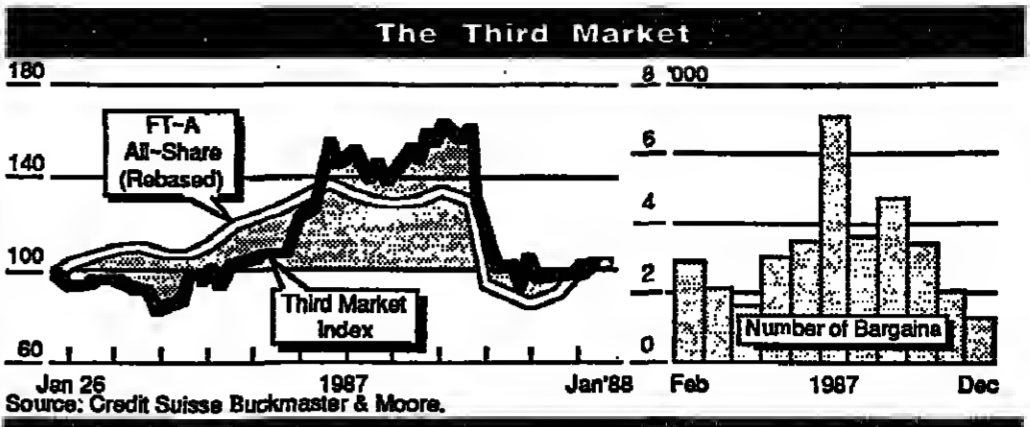
IN JANUARY, the Third Market celebrated its first anniversary without fulfilling either the high hopes or the worst fears of its creators and detractors.

Market would lure many of the OTC companies away from the unofficial market, and the requirements for market entry were accordingly much more lax than those on the main market of the USM.

McIntock. One issue, holiday company Nelson Leisure, was withdrawn when it became clear that the company would not meet its profits forecast.

BES regulations. The first is that shareholders in BES companies cannot sell their shares for five years without losing their tax relief.

composed of just three companies - Leading Leisure, Takare and Corton Beach.



largest company on the market. The group has interests in casinos, hotels, leisure centres and construction and hopes to transfer to the main market as soon as appropriate.

Profile: Hughes Food

Full of pre-cooked promise

JOHN HUGHES, founder of the eponymous Hughes Food Group, bestrides the Humber like a colossus. One leg of his empire is rooted in Cleethorpes, the other one across the river in Hull.

company is very much a creature of the bull market. Buoyed by the stratospheric rating that used to be accorded to the shares of small companies driven by charismatic and expansion-minded entrepreneurs, Hughes grew rapidly through the issue of successive tranches of new equity.

Thatcher's mini-boom will not be able to function in conditions of relative decline. Although the halving of the share price reflects worries about Mr Hughes' exuberance, he at least cut his teeth on recession-ravaged Humberides.

Fishing and fish processing. Hughes has recently bought two stern trawlers and intends to buy five more if his plans to fish off Africa and around the Falklands come to fruition.

THE STOCK market collapse and the uncertainty that followed dented the hopes of investors in young property companies, although there has been some evidence that the market has been stabilising.

Property

Played out in the short term

capital, or using paper to fund expansion through portfolio purchase or corporate takeover, the market looks played out, at least in the short term.

Consider, for example, recent announcements from Citygrove. The company has been nominated by the Chelmsford Borough Council to develop 120,000 square feet of retail warehousing, and has won a British Railways Property Board tender to develop 80,000 square feet of retail warehousing at Reading.

It was not surprising that the market pined in, given its mood at the time and the share that Stanhope has, as one half of Rosehaugh Stanhope, in the Broadgate office development, the biggest in the City of London.

Advertisement for Stoy Hayward accountants. Includes text: 'UNSETTLED SECURITIES MARKET? THE RISKS ON THE USM MAY BE GREATER NOW THAN THEY WERE FOUR MONTHS AGO...' and contact information for Stoy Hayward.

Large advertisement for Touche Ross. Features the headline 'The Midas Touche' and an image of a Midas touch box. Text includes: 'Why shouldn't the USM or Third Market help you raise the money your company needs? And make you a millionaire?' and contact details for Touche Ross.

